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 2019

FINANCIAL HIGHLIGHTS

– The increase in revenue to approximately US$63.16 million for the Year from approximately US$57.09 million for the year ended 31 October 2018 was primarily due to the significant increase in delivery of single and double deck buses to Singapore, Hong Kong and United Arab Emirates, which was offset by the decrease in delivery of buses to Australia and Uzbekistan during the Year compared to the year ended 31 October 2018.

– The significant increase of profit after tax for the Year compared to the year ended 31 October 2018 was mainly due to (i) the decrease in the impairment loss on trade receivable during the Year as compared to that for the financial year ended 31 October 2018; and (ii) the decrease in the selling and distribution expenses during the Year which was mainly attributable to the decrease in sales commission expenses incurred in connection with sales of buses in the Australian market as compared to that for the year ended 31 October 2018.

– Basic and diluted earnings/(loss) per share for the Year were US cents 1.47 as compared with US cents (0.58) for the year ended 31 October 2018.

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 2019 (the "**Year**") with comparative figures for the year ended 31 October 2018. 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 2019

	Note	**2019**	2018
		US$'000	*US$'000*
Revenue	*5*	**63,163**	57,091
Cost of sales		**(50,357)**	(44,959)
Gross profit		**12,806**	12,132
Other revenue	*6*	**134**	77
Other net income	*6*	**813**	36
Selling and distribution expenses		**(1,739)**	(5,389)
Net allowance for impairment losses on trade receivables		**(709)**	(2,691)
General and administrative expenses		**(4,859)**	(4,631)
Profit/(loss) from operations		**6,446**	(466)
Finance costs	*7(a)*	**(785)**	(798)
Share of (loss) of an associate		**(483)**	(100)
Profit/(loss) before taxation	*7*	**5,178**	(1,364)
Income tax	*8*	**(1,477)**	(82)
Profit/(loss) for the year attributable to the equity owners of the Company		**3,701**	(1,446)

	Note	**2019**	2018
		US$'000	*US$'000*
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**109**	399
Total comprehensive income/(loss) for the year attributable to equity owners of the Company		**3,810**	(1,047)
Earnings/(loss) per share (US cents per share)	*10*		
– Basic		**1.47**	(0.58)
– Diluted		**1.47**	(0.58)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 OCTOBER 2019

	Note	2019 US$'000	2018 US$'000
Non-current assets			
Property, plant and equipment		**7,777**	8,094
Intangible assets		**327**	323
Interest in a joint venture		**–**	–
Interest in an associate		**–**	545
Deferred tax assets		**40**	–
		8,144	8,962
Current assets			
Inventories		**18,040**	17,738
Trade and other receivables	*11*	**13,485**	12,240
Tax recoverable		**–**	1,069
Pledged bank deposits		**3,300**	2,711
Cash and bank balances		**3,830**	4,246
		38,655	38,004
Current liabilities			
Trade and other payables	*13*	**11,657**	17,477
Contract liabilities	*12*	**4,839**	–
Bank borrowings		**8,564**	9,651
Bank overdrafts		**1,546**	2,602
Obligations under finance leases		**62**	70
Provision for taxation		**481**	78
		27,149	29,878
Net current assets		**11,506**	8,126
Total assets less current liabilities		**19,650**	17,088

	Note	2019 US$'000	2018 US$'000
Non-current liabilities			
Obligations under finance leases		**60**	77
Deferred tax liabilities		**–**	112
		60	189
Net assets		**19,590**	16,899
Capital and reserves			
Share capital	*14*	**324**	324
Reserves		**19,266**	16,575
Total equity attributable to owners of the Company		**19,590**	16,899

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. The principal place of business in Hong Kong and Malaysia are located at Room 1602, 16/F, Park Commercial Centre, 180 Tung Lo Wan Road, Causeway Bay, Hong Kong and Ptd 42326 Jalan Seelong, Mukim Senai 81400 Senai, Johor, West Malaysia respectively.

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 2019 comprises the Company and its subsidiaries (together referred to as the "**Group**") and the Group's interest in a joint venture and an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that derivative financial instruments are stated at their fair value. 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 amount of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

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

3. NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") NOT YET EFFECTIVE

Up to the date of issue of these financial statements, The Hong Kong Institute of Certified Public Accountants ("**HKICPA**") has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 October 2019 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRS 9, HKAS 39, HKFRS 7	Interest Rate Benchmark Reform[2]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for annual periods beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after 1 January 2021

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

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

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, i.e. 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 (i.e. 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 statement of profit or loss and other comprehensive income over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 November 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore 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. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 November 2019 and will not restate the comparative information. As at 31 October 2019, the Group has non-cancellable operating lease commitments of US$732,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statement from 2019 onwards.

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HK(IFRIC) 22	Foreign currency transactions and advance consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 9 Financial instruments

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. 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.

The following table summarises the impact of transition to HKFRS 9 on retained profits and reserves and the related tax impact on 1 November 2018.

	US$'000
Retained earnings	
Recognition of additional expected credit losses on:	
– financial assets measured at amortised cost	(277)
Related tax	66
Net decrease in retained earnings at 1 November 2018	(211)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. ***Classification of financial assets and financial liabilities***

HKFRS 9 categorises 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. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset within the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount as at 31 October 2018	**Remeasurement**	**HKFRS 9 carrying amount as at 1 November 2018**
	US$'000	*US$'000*	*US$'000*
Financial assets carried at amortised cost			
Trade and other receivables	12,240	(277)	11,963
Pledged bank deposit	2,711	–	2,711
Cash and bank balances	4,246	–	4,246
	19,197	(277)	18,920

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 November 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 November 2018.

b. *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 following items:

– financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables)

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 October 2018 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 November 2018.

	US$'000
Loss allowance at 31 October 2018 under HKAS 39	2,678
Additional credit loss recognised at 1 November 2018 on:	
– Trade receivables	277
Loss allowance at 1 November 2018 under HKFRS 9	2,955

c. *Transition*

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings as at 1 November 2018. Accordingly, the information presented for 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 November 2018 (the date of initial application of HKFRS 9 by the Group).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

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.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 November 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 November 2018. There are no significant impact of the requirement of HKFRS 15 on the Group's retained earnings and reserves as at 1 November 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

a. Timing of revenue recognition

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised goods or services 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 goods or services 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 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that goods or services 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 when the Group recognises revenue and the Group continues to recognise revenue from the sale of goods and services at point in time.

b. Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, 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. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

To reflect these changes in presentation, the Group has made the following adjustments at 1 November 2018, as a result of the adoption of HKFRS 15:

(i) The Group reclassified US$3,411,000 from advance deposits from customers included in trade and other payables to contract liabilities.

c. ***Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 October 2019 as a result of the adoption of HKFRS 15 on 1 November 2018***

The following tables summarise the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 October 2019, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 if this superseded standard had continued to apply after 1 November 2018 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

	Amounts reported in accordance with HKFRS 15 (A) *US$'000*	Hypothetical amounts under HKAS 18 (B) *US$'000*	Difference: Estimated impact of adoption of HKFRS 15 (A)-(B) *US$'000*
Line items in the consolidated statement of financial position as at 31 October 2019 impacted by adoption of HKFRS 15:			
Current liabilities			
Trade and other payables	11,657	16,496	(4,839)
Contract liabilities	4,839	–	4,839

The significant differences arise as a result of the changes in accounting policies described above.

HK(IFRIC) 22 Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

5. SEGMENT INFORMATION AND REVENUE

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board 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) 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 2019

	Sales of bus bodies and kits *US$'000*	**Sales of parts and provision of relevant services** *US$'000*	**Total** *US$'000*
Revenue from external customers recognised at a point in time	**60,382**	**2,781**	**63,163**
Reportable segment revenue	**60,382**	**2,781**	**63,163**
Reportable segment profit	**6,796**	**695**	**7,491**
Unallocated head office and corporate expenses:			
– Other expenses			**(1,992)**
Other revenue			**134**
Other net income			**813**
Finance costs			**(785)**
Share of (loss) of an associate			**(483)**
Profit before income tax			**5,178**
Other segment information			
Depreciation	**556**	**–**	**556**
Net allowances for impairment losses on trade receivables	**577**	**132**	**709**
Provision for writedown of inventories	**592**	**–**	**592**

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 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
Net allowances for impairment losses on trade receivables	2,685	6	2,691

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	
	2019	2018
	US$'000	*US$'000*
Malaysia (place of domicile)	**110**	280
Singapore	**28,726**	26,785
Australia	**7,459**	15,449
Hong Kong	**8,808**	8,221
Uzbekistan	**318**	4,078
Indonesia	**–**	1,532
United Arab Emirates	**16,196**	–
Others	**1,546**	746
	63,163	57,091

6. OTHER REVENUE AND OTHER NET INCOME

	2019	2018
	US$'000	*US$'000*
Other revenue		
Bank interest income	**114**	66
Total interest income on financial assets measured at amortised cost	**114**	66
Rental income	**5**	5
Others	**15**	6
	134	77
Other net income		
Net foreign exchange gain	**825**	32
Gain on disposal of property, plant and equipment	**–**	4
Loss on disposal of an associate	**(12)**	–
	813	36

7. PROFIT/(LOSS) BEFORE TAXATION

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

(a) Finance costs

	2019	2018
	US$'000	*US$'000*
Interest on bank borrowings	**778**	788
Finance charge on obligations under finance leases	**7**	10
Total interest expenses on financial liabilities not at fair value through profit or loss	**785**	798

(b) Staff costs (including directors' emoluments)

	2019	2018
	US$'000	*US$'000*
Salaries, wages and other benefits	**3,470**	3,059
Contributions to defined contribution retirement plans	**411**	391
	3,881	3,450

(c) Other items

	2019	2018
	US$'000	*US$'000*
Net allowance for impairment losses on trade receivables	**709**	2,691
Auditors' remuneration	**162**	162
Cost of inventories*	**50,357**	44,959
Depreciation	**556**	558
Net foreign exchange (gain)	**(825)**	(32)
(Gain) on disposal of property, plant and equipment	**–**	(4)
Loss on disposal of an associate	**12**	–
Operating lease charges: minimum lease payments in respect of		
– properties	**560**	613
– equipment	**17**	12

* *Cost of inventories includes approximately US$1,350,000 (2018: US$1,282,000) relating to staff costs and depreciation charges, which amount is also included in the respective total amounts disclosed separately above.*

8. INCOME TAX EXPENSE

	2019	2018
	US$'000	*US$'000*
Current tax		
Charge for the year	**1,562**	143
Underprovision in respect of prior years	**–**	159
Deferred tax		
Origination and reversal of temporary differences	**(85)**	(220)
Income tax expense for the year	**1,477**	82

(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 2019 (2018: 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 2019 and 2018.

(iii) PRC subsidiaries are subject to The People's Republic of China ("**PRC**") Enterprise Income Tax ("**EIT**") at rate of 25% (2018: 25%). The PRC subsidiaries are not subject to PRC EIT as they did not commence business during the years ended 31 October 2019 and 2018.

(iv) GML Coach Technology Pte. Limited, a wholly-owned subsidiary of the Group is subject to Singapore statutory income tax rate of 17% (2018: 17%).

(v) Gemilang Coachwork Sdn. Bhd., a wholly-owned subsidiary of the Group is subject to Malaysia statutory income tax rate of 24% (2018: 24%).

9. DIVIDENDS

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

	2019	2018
	US$'000	*US$'000*
Interim dividend declared and paid of HK$0.03 per ordinary share (2018: HK$Nil per ordinary share)	**972**	–
Final dividend proposed after the end of the reporting period of HK$0.05 per ordinary share (2018: HK$Nil per ordinary share)	**1,620**	–
	2,592	–

The final dividend proposed after the end of the reporting period had 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

	2019	2018
	US$'000	*US$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$Nil per ordinary share (2018: HK$0.03)	**–**	967
	–	967

10. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the consolidated profit/(loss) attributable to equity shareholders of the Company of approximately US$3,701,000 (2018: consolidated loss of US$1,446,000) and the weighted average number of approximately 251,211,000 ordinary shares (2018: 250,910,000 ordinary shares) in issue during the year. The weighted average number of ordinary shares in issue during the year ended 31 October 2019 is determined by (1) the issued ordinary shares at 1 November 2018 of 251,080,000 shares and (2) effect of issue of shares under the Company's share option scheme of 131,000 shares. 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.

(b) Diluted earnings/(loss) per share

For the year ended 31 October 2019, 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.

	2019
	US$'000
Profit attributable to owners of the Company	3,701

	2019
	'000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	251,211
Effect of dilutive potential ordinary shares:	
Share options	35
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	251,246
Diluted earnings per share (US cent)	1.47

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.

11. TRADE AND OTHER RECEIVABLES

	Note	**31 October 2019** **US$'000**	1 November 2018 US$'000	31 October 2018 US$'000
Trade receivables		**16,153**	12,150	12,150
Less: allowance for impairment losses		**(3,684)**	(2,955)	(2,678)
	(i), (ii)	**12,469**	9,195	9,472
Deposits, prepayments and other receivable		**1,016**	2,768	2,768
		13,485	11,963	12,240

Notes:

(i) Upon the adoption of HKFRS 9, an opening adjustment as at 1 November 2018 was made to recognise additional ECLs on trade debtors (See Note 4).

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

Aging analysis of trade receivables

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

	2019 **US$'000**	2018 US$'000
Within 30 days	**7,463**	3,084
31 to 90 days	**3,849**	4,902
Over 90 days	**1,157**	1,486
	12,469	9,472

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

12. CONTRACT LIABILITIES

	Note	**31 October 2019** **US$'000**	1 November 2018 US$'000	31 October 2018 US$'000
Contract liabilities				
Deposits received in advance of performance	*(ii)*	**4,839**	3,411	–

Notes:

(i) *The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 November 2018.*

(ii) *Upon the adoption of HKFRS 15, amounts previously included as "trade and other payables" were reclassified to contract liabilities (see Note 4).*

13. TRADE AND OTHER PAYABLES

	Note	**31 October 2019** **US$'000**	1 November 2018 US$'000	31 October 2018 US$'000
Trade payables		**7,668**	10,918	10,918
Other payables and accruals		**3,989**	3,148	3,148
Advance deposits from customers	*(ii)*	**–**	–	3,411
		11,657	14,066	17,477

Notes:

(i) *The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 November 2018.*

(ii) *Upon the adoption of HKFRS 15, amounts previously included as "trade and other payables" were reclassified to contract liabilities (see Note 4).*

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:

	2019	2018
	US$'000	*US$'000*
Within 30 days	**1,758**	3,445
31 to 90 days	**3,683**	4,171
Over 90 days	**2,227**	3,302
	7,668	10,918

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

14. SHARE CAPITAL

Ordinary shares of HK$0.01 each

Authorised:

	No. of shares	**Amount**
		US$'000
At 1 November 2017, 31 October 2018, 1 November 2018 and 31 October 2019	2,000,000,000	2,581

Issued and fully paid:

	No. of shares	**Amount**
		US$'000
At 1 November 2017	250,144,000	322
Issuance of new shares upon exercising of share option	936,000	2
At 31 October 2018 and 1 November 2018	251,080,000	324
Issuance of new shares upon exercising of share option	284,000	–
At 31 October 2019	251,364,000	324

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 United Arab Emirates. 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) 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, 100% of our revenue was derived from the sales of aluminium buses and bus bodies in the sales of bus bodies segment. The demand in aluminium bus and bus body 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 total 393 units of buses (CBUs*), 31 units of CKDs* to our customers during the Year.

** 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*

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 year ended 31 October	
	2019	2018
	US$'000	*US$'000*
Malaysia (place of domicile)	**–**	149
Singapore	**26,470**	24,873
Hong Kong	**8,539**	7,872
Australia	**7,349**	15,204
People's Republic of China	**–**	335
Uzbekistan	**318**	4,069
United Arab Emirates	**16,196**	–
Others	**1,510**	1,762
	60,382	54,264

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 95% of revenue for both years. The revenue generated from this segment amounted to approximately US$60.38 million during the Year, representing an increase of approximately US$6.12 million or 11.3% as compared with approximately US$54.26 million for the year ended 31 October 2018. 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 and, United Arab Emirates new market, which offsets by decrease in delivery of whole buses to Malaysia, Australia and Uzbekistan during the Year as compared to the year ended 31 October 2018.

During the Year, the Group delivered a total of 200 units of whole buses to our customers in Singapore, out of which 163 units of double deck city buses during the Year as compared to 87 units of double deck city buses for the year ended 31 October 2018, resulting the increase in revenue of approximately US$1.60 million or 6.4% from approximately US$24.87 million for the year ended 31 October 2018 to approximately US$26.47 million for the Year. The Group secured a sales contract of a total of 79 units of double deck city buses for a new customer in United Arab Emirates and delivered 66 units to them during the Year.

The decrease in revenue from the Australian market was approximately US$7.85 million, from approximately US$15.20 million for the year ended 31 October 2018 to approximately US$7.35 million for the Year. The decrease is mainly attributable to the decrease in the number of buses delivered to Australia from 81 units for the year ended 31 October 2018 to 63 units for the Year. Besides, there were also changes in the mode of business operation with Gemilang Australia Pty Limited ("**GMLA**") since April 2019, where the Group sells whole buses to GMLA instead of selling to end customers in Australia and New Zealand.

Sales of parts and provision of relevant services segment

	Revenue from external customers For the year ended 31 October	
	2019	2018
	US$'000	*US$'000*
Malaysia (place of domicile)	**110**	131
Singapore	**2,256**	1,912
Hong Kong	**269**	349
Australia	**110**	246
People's Republic of China	**–**	25
Others	**36**	164
	2,781	2,827

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$2.78 million during the Year, representing a decrease of approximately US$0.05 million or 1.6% as compared with approximately US$2.83 million for the year ended 31 October 2018.

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

The sales 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 buses and the manufacture of bus bodies. We generated revenue of approximately US$57.09 million and US$63.16 million for the financial years ended 31 October 2018 and 2019 respectively. The increase in revenue was primarily due to the significant increase in delivery of bus bodies to Singapore, Hong Kong and United Arab Emirates, which was offset by decrease in delivery of bus bodies to Malaysia and Uzbekistan and change in mode of business in Australia and New Zealand during the Year compared to the year ended 31 October 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 Year:

	For the year ended 31 October			
	2019		2018	
	US$'000	***%***	*US$'000*	*%*
Bus (CBU*)				
– City Bus	**58,335**	**92.4**	46,932	82.2
– Coach	**728**	**1.1**	1,661	2.9
Bus Body				
CKD				
– City Bus	**1,319**	**2.1**	4,171	7.3
SKD				
– City Bus	**–**	**–**	1,500	2.6
Maintenance and aftersales service	**2,781**	**4.4**	2,827	5.0
Total	**63,163**	**100.0**	57,091	100.0

Gross profit

Our gross profit was approximately US$12.13 million and US$12.81 million for years ended 31 October 2018 and 2019, respectively. Our gross profit margin was approximately 21.3% and 20.3% for financial years ended 31 October 2018 and 2019, respectively. The decrease of gross profit margin was due to an increase in contractor wages in relation to tight production schedule to cope with the commitment in delivering 393 units of whole buses in the year, which is 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$3.65 million or 67.7% from approximately US$5.39 million for the financial year ended 31 October 2018 to US$1.74 million in the Year. Such decrease was driven 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. Furthermore, due to the change in mode of business operation with GMLA since April 2019, the Group sells whole buses to GMLA instead of selling to end customers in Australia and New Zealand, therefore the commission expenses dropped significantly to GMLA 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$0.23 million or 4.9% from approximately US$4.63 million for the financial year ended 31 October 2018 to US$4.86 million in the Year. Such increase was mainly attributable to an increase in salary costs due to general salary and benefits increments for existing staff and increase in staff headcount.

Share of (loss) of an associate

The share of loss from GMLA is US$0.48 million during the Year compare to a share of result of US$0.10 million during the year ended 31 October 2018. The increase is mainly attributable to reason below.

Commission income from the Group is the main source of income of GMLA, as discussed in "Selling and distribution expenses" section in "Management Discussion and Analysis", there was a decrease in commission expense of approximately US$3.88 million or 82.3% incurred during the Year payable to GMLA from US$4.71 million to US$0.83 million during the Year as compared to the year ended 31 October 2018. The decrease from its contribution was consistent with this fact. Moreover, the loss of associate was also attributable by the increase in wages and cost of material in GMLA.

Income tax expenses

There was a significant increase in income tax expense of approximately US$1.40 million or 1,701.2% from approximately US$0.08 million during the year ended 31 October 2018 to approximately US$1.48 million during the Year. The increase in income tax expense during the Year was mainly as a result of increase of earnings from operation during the 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, a wholly owned subsidiary of the Company (the "**Vendor**"), 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 AUD71,500 (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.

Pledge of assets

As at 31 October 2019, pledged bank deposits of approximately US$3.30 million (2018: US$2.71 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:

	2019	2018
	US$'000	*US$'000*
Freehold land	**1,860**	1,838
Buildings	**4,377**	4,427
	6,237	6,265

Contingent liabilities

As at 31 October 2019, the Group had the following contingent liabilities:

Performance bonds

	2019	2018
	US$'000	*US$'000*
Performance bonds for contracts in favour of customers	**7,389**	7,144

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

Capital commitments

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

	2019	2018
	US$'000	*US$'000*
Contracted but not provided for:		
– Investment in joint venture (RMB1,500,000)	**213**	–
	213	–

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. This joint venture agreement had lapsed during the Year.

Subsequent to the lapse of the joint venture agreement, 順鋁(上海)汽車科技有限公司 entered into a joint venture agreement with Beidou whereby both parties are to own 50% and 50% of the equity interest, respectively, in the joint venture company, 上海北鋁汽車科技有限公司. The capital commitment required from 順鋁(上海)汽車科技有限公司 is RMB1.5 million according to the joint venture agreement.

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 in an increasing trend. The Group currently owns two wholly-owned subsidiaries in China, 順鋁(上海)汽車科技有限公司, an entity established in Shanghai, the PRC and 順鋁(深圳)汽車科技有限公司, an entity established in Shenzhen, the PRC, so that we can better serve our existing customers and further develop these markets.

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 have increased the size of our after-sales service and marketing team which will enable us to provide prompt response to after-sales requests from our customers and to establish better relationships with our customers through gathering feedbacks on our products.

In Malaysia, we are working closely with our chassis principals in tendering of projects. We are also working with chassis principals which supply electric chassis to introduce electric bus solutions to the Transportation Authority in Malaysia. We believe that we are in better position to promote our products in Malaysia with our existing track records in those major cities that we had delivered our buses to.

In Singapore, we continue to work closely with the Land Transport Authority through regular discussions to produce buses that meet their requirements. With the established after-sales support team, we 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.

Our relentless efforts to invest in developing new products for new markets outside Asia which are regulated by different sets of regulatory standards had successfully helped us open doors to new market such as, United Arab Emirates. We will continue to innovate and expand our portfolio to reach out to more new markets.

EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 31 October 2019 and up to the date of this announcement.

DIVIDEND

The Board recommends the payment of final dividend of HK$0.05 per share in cash for the year ended 31 October 2019 (2018: HK$ nil per share). Such final dividend will not be subject to any withholding tax in Hong Kong. Subject to approval of shareholders at the forthcoming annual general meeting, the final dividend is expected to be paid on or about Monday, 27 April 2020.

ANNUAL GENERAL MEETING

The annual general meeting is scheduled to be held on Tuesday, 24 March 2020. The notice of annual general meeting will be published and despatched to the shareholders in due course.

CLOSURES OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company which will be held on Tuesday, 24 March 2020, the register of members of the Company will be closed from Thursday, 19 March 2020 to Tuesday, 24 March 2020, both days inclusive, during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company's share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 18 March 2020.

Subject to the approval of shareholders of the Company at the forthcoming annual general meeting, the final dividend will be distributed on or about Monday, 27 April 2020 to shareholders of the Company whose names appear on the register of members of the Company after the close of business of the Company on Monday, 30 March 2020 and the register of members of the Company will be closed on Monday, 30 March 2020, during which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates shall be lodged not later than 4:30 p.m. on Friday, 27 March 2020 with the Company's share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

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 2019, 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$5.58 million, representing an increase of approximately US$1.22 million compared with as at 31 October 2018 of approximately US$4.36 million. The net current assets and total equity of the Group were approximately US$11.51 million (2018: approximately US$8.13 million) and approximately US$19.59 million (2018: approximately US$16.90 million). As at 31 October 2019, the Group's bank borrowings and bank overdrafts amounted to approximately US$10.11 million (2018: approximately US$12.25 million).

As at 31 October 2019, the Group's gearing ratio, which is computed based on dividing the total outstanding indebtedness by the total equity, was approximately 32.7% (2018: 48.3%).

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 gearing ratio as at 31 October 2019 and 2018 are as follows:

	2019	2018
	US$'000	*US$'000*
Obligations under finance leases	**122**	147
Bank borrowings	**8,564**	9,651
Bank overdrafts	**1,546**	2,602
	10,232	12,400
Less: Cash and bank balances	**3,830**	4,246
Net debt	**6,402**	8,154
Total equity	**19,590**	16,899
Net debt-to-equity ratio	**32.7%**	48.3%

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 2019, the total number of full-time employees of the Group was approximately 357 (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 jurisdiction.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the Code Provisions (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 2019, the Company has complied with the Code Provisions as set out in the CG Code.

The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance with the CG Code and align with the latest developments.

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. The hearing of the said originating summons was held on 24 January 2019 and the order for judicial management was subsequently granted. Defendant 2 has applied for second extension on the judicial management in the High Court of Malaya at Shah Alam in May 2019 for 2 months and the extension was approved. After that, Defendant 2 has applied for extension of judicial management order in the High Court of Malaya at Shah Alam on 13 August 2019 but the application was not allowed by the High Court on 10 December 2019. The hearing to wind up Defendant 2 is scheduled to be heard on 30 January 2020.

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 2019 *US$ million*	Actual balance as at 31 October 2019 *US$ million*
Construction of the new facility in Senai, Malaysia	4.70	(3.70)	1.00
Upgrading and acquiring machines	0.89	(0.63)	0.26
Repayment of bank loans	2.39	(2.39)	–
Working capital	0.79	(0.79)	–
Total	8.77	(7.51)	1.26

(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 2019, 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 2019.

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 2019 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 2019 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.

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

20 January 2020

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.