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 2020

FINANCIAL HIGHLIGHTS

– The decrease in revenue to approximately US$31.15 million for the Year from approximately US$63.16 million for the year ended 31 October 2019 was primarily due to the significant decrease in delivery of single and double deck buses to Singapore and United Arab Emirates.

– The significant decrease in profit after tax to approximately US$0.42 million for the Year from approximately US$3.70 million for the year ended 31 October 2019 was mainly due to (i) the decline in revenue caused by decrease in sale orders and postponement of production and delivery schedules of projects under adverse business environment during the Year; and (ii) the recognition of expected credit loss provision during the Year caused by the increase in overdue ageing of account receivables and uncertainty on the repayment of account receivables.

– Basic and diluted earnings per share for the Year were US cents 0.17 as compared with US cents 1.47 for the year ended 31 October 2019.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Director(s)**") of Gemilang International Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 October 2020 (the "**Year**") with comparative figures for the year ended 31 October 2019. 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 2020

	Note	**2020**	2019
		US$'000	*US$'000*
Revenue	*5*	**31,152**	63,163
Cost of sales		**(25,464)**	(50,357)
Gross profit		**5,688**	12,806
Other revenue	*6*	**218**	134
Other net income	*6*	**390**	813
Selling and distribution expenses		**(428)**	(1,739)
Net allowance for impairment losses on trade receivables		**(629)**	(709)
General and administrative expenses		**(4,119)**	(4,859)
Profit from operations		**1,120**	6,446
Finance costs	*7(a)*	**(432)**	(785)
Share of (loss) of an associate		**–**	(483)
Profit before taxation	*7*	**688**	5,178
Income tax	*8*	**(271)**	(1,477)
Profit for the year attributable to the equity owners of the Company		**417**	3,701

	Note	**2020**	2019
		US$'000	*US$'000*
Other comprehensive (loss)/income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(87)**	109
Total comprehensive income for the year attributable to equity owners of the Company		**330**	3,810
Earnings per share (US cents per share)	*10*		
– Basic		**0.17**	1.47
– Diluted		**0.17**	1.47

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 OCTOBER 2020

	Note	2020 US$'000	2019 US$'000
Non-current assets			
Property, plant and equipment		**7,591**	7,777
Intangible assets		**326**	327
Interest in a joint venture		**–**	–
Deferred tax assets		**220**	40
		8,137	8,144
Current assets			
Inventories		**19,276**	18,040
Trade and other receivables	*11*	**11,505**	13,485
Tax recoverable		**33**	–
Pledged bank deposits		**3,235**	3,300
Cash and bank balances		**1,929**	3,830
		35,978	38,655
Current liabilities			
Trade and other payables	*13*	**6,431**	11,657
Contract liabilities	*12*	**5,791**	4,839
Bank borrowings		**9,059**	8,564
Bank overdrafts		**2,561**	1,546
Lease liabilities		**305**	62
Provision for taxation		**–**	481
		24,147	27,149
Net current assets		**11,831**	11,506
Total assets less current liabilities		**19,968**	19,650

	Note	2020 US$'000	2019 US$'000
Non-current liability			
Lease liabilities		**48**	60
		48	60
Net assets		**19,920**	19,590
Capital and reserves			
Share capital	*14*	**324**	324
Reserves		**19,596**	19,266
Total equity attributable to owners of the Company		**19,920**	19,590

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 was located at Room 1602, 16/F, Park Commercial Centre, 180 Tung Lo Wan Road, Causeway Bay, Hong Kong and has changed to Unit 206A, 2/F, Sun Cheong Industrial Building, 2 Cheung Yee Street, Lai Chi Kok, Kowloon, Hong Kong since 12 December 2020. The principal place of business in Malaysia is located at Ptd 42326 Jalan Seelong, Mukim Senai 81400 Senai, Johor, West Malaysia.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 11 November 2016. As at 31 October 2020, the Directors consider that the Company is ultimately controlled by Mr. Phang Sun Wah and Mr. Pang Chong Yong.

2. BASIS OF PREPARATION OF CONSOLIDATED THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 October 2020 comprises the Company and its subsidiaries (together referred to as the "**Group**") and the Group's interest in a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

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

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

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

3. NEW AND REVISED 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 and a new standard which are not yet effective for the year ended 31 October 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

HKFRS 17	Insurance Contracts[7]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[6]
Amendments to HKFRS 16	COVID-19-Related Rent Concessions[5]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[7]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended use[6]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[6]

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

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

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

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

5 Effective for annual periods beginning on or after 1 June 2020

6 Effective for annual periods beginning on or after 1 January 2022

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

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

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.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

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

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for HKFRS 16, Leases, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 "Leases"

HKFRS 16 replaces HKAS 17 Leases, and the related interpretations, HK(IFRIC) Int 4, Determining whether an arrangement contains a lease, HK(SIC) Int 15, Operating leases – Incentives, and HK(SIC) Int 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 November 2019. The Group has elected to use modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 November 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 November 2019. For contracts entered into before 1 November 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) ***Lessee accounting and transitional impact***

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

At the date of transition to HKFRS 16 (i.e. 1 November 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 November 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 5.20%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 October 2020; and

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The following table reconciles the operating lease commitments as at 31 October 2019 to the opening balance for lease liabilities recognised as at 1 November 2019:

	1 November 2019
	US$'000
Operating lease commitments at 31 October 2019	732
Less: Short-term leases with remaining lease term ending on 31 October 2020	(60)
Less: total future interest expenses	(36)
Present value of remaining lease payments, discounted using the incremental borrowing rates at 1 November 2019	636
Add: finance leases liabilities recognised as at 31 October 2019	122
Total lease liabilities recognised at 1 November 2019	758
Analysed as:	
Current	386
Non-current	372
	758

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 October 2019.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

The following table summarises the impact of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 October 2019	**Capitalisation of operating lease contracts**	**Carry amount at 1 November 2019**
	US$'000	*US$'000*	*US$'000*
Line items in consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Non-current asset			
Property, plant and equipment	7,777	636	8,413
Total non-current asset	7,777	636	8,413
Current liabilities			
Obligations under finance leases	62	(62)	–
Lease liabilities	–	386	386
Total current liabilities	62	324	386
Non-current liabilities			
Obligations under finance leases	60	(60)	–
Lease liabilities	–	372	372
Total non-current liabilities	60	312	372

(c) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 November 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported profit from operations in the Group's consolidated statement of profit or loss and other comprehensive income, as compared to the results if HKAS 17 had been applied during the Year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated statement of cash flow.

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 2020

	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	**28,598**	**2,554**	**31,152**
Reportable segment revenue	**28,598**	**2,554**	**31,152**
Reportable segment profit	**1,937**	**350**	**2,287**
Unallocated head office and corporate expenses:			
– Other expenses			**(1,775)**
Other revenue			**218**
Other net income			**390**
Finance costs			**(432)**
Profit before income tax			**688**
Other segment information			
Depreciation	**850**	**–**	**850**
Net allowances for impairment losses on trade receivables	**558**	**71**	**629**
Provision for writedown of inventories	**276**	**–**	**276**

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

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	
	2020	2019
	US$'000	*US$'000*
Malaysia (place of domicile)	**2,910**	110
Singapore	**20,603**	28,726
Australia	**2,048**	7,459
Hong Kong	**994**	8,808
Uzbekistan	**395**	318
United Arab Emirates	**3,190**	16,196
Others	**1,012**	1,546
	31,152	63,163

6. OTHER REVENUE AND OTHER NET INCOME

	2020	2019
	US$'000	*US$'000*
Other revenue		
Bank interest income	**103**	114
Total interest income on financial assets measured at amortised cost	**103**	114
Rental income	**–**	5
Others	**115**	15
	218	134
Other net income		
Net foreign exchange gain	**390**	825
Loss on disposal of an associate	**–**	(12)
	390	813

7. PROFIT BEFORE TAXATION

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

(a) Finance costs

	2020	2019
	US$'000	*US$'000*
Interest on bank borrowings	**403**	778
Interest on lease liabilities	**29**	7
Total interest expenses on financial liabilities not at fair value through profit or loss	**432**	785

Note: The Group has initially applied HKFRS 16 at 1 November 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated.

(b) Staff costs (including directors' emoluments)

	2020	2019
	US$'000	*US$'000*
Salaries, wages and other benefits	**2,924**	3,470
Contributions to defined contribution retirement plans	**300**	411
	3,224	3,881

(c) Other items

	2020	2019
	US$'000	*US$'000*
Net allowance for impairment losses on trade receivables	**629**	709
Auditors' remuneration	**140**	162
Cost of inventories*	**25,464**	50,357
Depreciation		
– Owned property, plant and equipment *(note (i))*	**474**	556
– right-of-use assets *(note (i))*	**376**	–
Net foreign exchange (gain)	**(398)**	(825)
Loss on disposal of an associate	**–**	12
Total minimum lease payments for lease previously classified as operating leases under HKAS 17 *(note (i))*		
– properties	**–**	560
– equipment	**–**	17
Expenses relating to short-term lease	**206**	–

* *Cost of inventories includes approximately US$1,392,000 (2019: US$1,350,000) relating to staff costs and depreciation charges, which amount is also included in the respective total amounts disclosed separately above or in the Note 7(b) for each of these types of expenses, and provision of slow-moving inventory of approximately US$276,000 (2019: US$592,000).*

Note (i):

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 November 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 November 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated.

8. INCOME TAX EXPENSE

	2020	2019
	US$'000	*US$'000*
Current tax		
Charge for the year	**470**	1,562
Overprovision in respect of prior years	**(21)**	–
Deferred tax		
Origination and reversal of temporary differences	**(178)**	(85)
Income tax expense for the year	**271**	1,477

(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 2020 (2019: 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 2020 and 2019.

(iii) PRC subsidiaries are subject to The People's Republic of China ("**PRC**") Enterprise Income Tax ("**EIT**") at rate of 25% (2019: 25%). The PRC subsidiaries are not subject to PRC EIT as they did not commence business during the years ended 31 October 2020 and 2019.

(iv) GML Coach Technology Pte. Limited, a wholly-owned subsidiary of the Company is subject to Singapore statutory income tax rate of 17% (2019: 17%).

(v) Gemilang Coachwork Sdn. Bhd., a wholly-owned subsidiary of the Company is subject to Malaysia statutory income tax rate of 24% (2019: 24%).

9. DIVIDENDS

Dividends payable to owners of the Company attributable to the year

	2020	2019
	US$'000	*US$'000*
Interim dividend of HK$Nil per ordinary share (2019: HK$0.03 per ordinary share)	**–**	972
Special dividend proposed after the end of the reporting period of HK$0.04 per ordinary share	**1,296**	–
Final dividend proposed after the end of the reporting period of HK$0.01 per ordinary share (2019: HK$0.05 per ordinary share)	**324**	1,620
	1,620	2,592

The final and special dividends proposed after the end of the reporting period had not been recognised as a liability at the end of the reporting period.

The proposed final dividend for the year ended 31 October 2019 was vetoed by the Company's shareholders at the annual general meeting held on 24 March 2020.

10. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of approximately US$417,000 (2019: US$3,701,000) and the weighted average number of approximately 251,364,000 ordinary shares (2019: 251,211,000 ordinary shares) in issue during the Year. There is no issuance or cancellation of share during the year ended 31 October 2020. 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.

(b) Diluted earnings per share

For the year ended 31 October 2020, 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.

	2020	2019
	US$'000	*US$'000*
Profit attributable to owners of the Company	**417**	3,701

	2020	2019
	'000	*'000*
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**251,364**	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	**251,364**	251,246
Diluted earnings per share (US cent)	**0.17**	1.47

For the year ended 31 October 2020, the calculation of diluted earning per share did not assume the exercise of the outstanding share options and no adjustment had been made to the basic earnings per share as the exercise price per share option was higher than the average market share price of the Company during the Year. For the year ended 31 October 2019, the calculation of diluted earnings per share is based on the profit for the year of approximately US$3,701,000 and the weighted average number of 251,246,000 ordinary shares.

11. TRADE AND OTHER RECEIVABLES

	Note	**2020**	2019
		US$'000	*US$'000*
Trade receivables		**14,751**	16,153
Less: allowance for impairment losses		**(4,308)**	(3,684)
		10,443	12,469
Deposits, prepayments and other receivable		**1,062**	1,016
	(i)	**11,505**	13,485

Note:

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

Ageing analysis of trade receivables

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

	2020	2019
	US$'000	*US$'000*
Within 30 days	**5,728**	7,463
31 to 90 days	**1,860**	3,849
Over 90 days	**2,855**	1,157
	10,443	12,469

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

12. CONTRACT LIABILITIES

	2020	2019
	US$'000	*US$'000*
Contract liabilities		
Deposits received in advance of performance	**5,791**	4,839

13. TRADE AND OTHER PAYABLES

	2020	2019
	US$'000	*US$'000*
Trade payables	**5,216**	**7,668**
Other payables and accruals	**1,215**	**3,989**
	6,431	**11,657**

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:

	2020	2019
	US$'000	*US$'000*
Within 30 days	**4,831**	**1,758**
31 to 90 days	**241**	**3,683**
Over 90 days	**144**	**2,227**
	5,216	**7,668**

All of the trade and other payables are expected to be settled 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 2018, 31 October 2019, 1 November 2019 and 31 October 2020	2,000,000,000	2,581

Issued and fully paid:

	No. of shares	**Amount**
		US$'000
At 31 October 2019 and 31 October 2020	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 to 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 and kits segment. The demand in aluminium bus and bus bodies will continue to be the major business drive as using aluminium as materials meets environmental standards. Aluminium likely be the preferred material for buses, in particular electric buses, due to its lighter weight which results in better energy efficiency.

The Group delivered total of 195 units of buses (CBUs*) and 56 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 and kits segment

	Revenue from external customers For the year ended 31 October	
	2020	2019
	US$'000	*US$'000*
Malaysia (place of domicile)	**2,675**	–
Singapore	**18,883**	26,470
Hong Kong	**920**	8,539
Australia	**1,849**	7,349
Uzbekistan	**395**	318
United Arab Emirates	**3,142**	16,196
Others	**734**	1,510
	28,598	60,382

The sales of bus bodies and kits segment is the major source of income for our Group, with the sales of whole buses as the major product of our Group contributing over 90% of revenue for both years. The revenue generated from this segment amounted to approximately US$28.60 million during the Year, representing a decrease of approximately US$31.78 million or 52.6% as compared with approximately US$60.38 million for the year ended 31 October 2019. The decrease in revenue in this segment was attributable to the significant decrease in delivery of whole buses to the Singapore market, the United Arab Emirates market, the Australia market and the Hong Kong market, which was partly offset by the increase in delivery of bus bodies to Malaysia during the Year as compared to the year ended 31 October 2019.

During the Year, the Group delivered a total of 146 units of whole buses to our customers in Singapore, out of which 111 units of double deck city buses were delivered during the Year as compared to 163 units of double deck city buses for the year ended 31 October 2019, resulting in the decrease in revenue from the Singapore market of approximately US$7.59 million or 28.7% from approximately US$26.47 million for the year ended 31 October 2019 to approximately US$18.88 million for the Year.

During the year ended 31 October 2019, the Group received sale orders from the United Arab Emirates to provide 79 units of double deck city buses, of which 66 units were delivered during the year ended 31 October 2019. The remaining 13 units of double deck city buses were delivered during the Year. The decrease in order from the United Arab Emirates led to a decrease in revenue from the United Arab Emirates of approximately US$13.05 million or 80.6% from approximately US$16.20 million for the year ended 31 October 2019 to approximately US$3.14 million for the Year.

The decrease in revenue from the Australia market was approximately US$5.50 million or 74.8%, from approximately US$7.35 million for the year ended 31 October 2019 to approximately US$1.85 million for the Year. The decrease was mainly attributable to the decrease in the number of buses delivered to Australia from 63 units for the year ended 31 October 2019 to 16 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	
	2020	2019
	US$'000	*US$'000*
Malaysia (place of domicile)	**235**	110
Singapore	**1,720**	2,256
Hong Kong	**74**	269
Australia	**199**	110
United Arab Emirates	**48**	–
Others	**278**	36
	2,554	2,781

The segment of sales of parts and provision of relevant services 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$2.55 million during the Year, representing a decrease of approximately US$0.23 million or 8.3% as compared with approximately US$2.78 million for the year ended 31 October 2019.

The decrease in sales of parts and provision of relevant services in the Singapore market is consistent with our supply of buses to Singapore, being 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 provision of relevant services was correlated with the number of buses sold to these places cumulatively.

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$63.16 million and US$31.15 million for the financial years ended 31 October 2019 and 2020 respectively. The decrease in revenue was primarily due to the significant decrease in delivery of bus bodies to Singapore, the United Arab Emirates, Australia and Hong Kong, which was partly offset by the increase in delivery of bus bodies to Malaysia during the Year compared to the year ended 31 October 2019.

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			
	2020		2019	
	US$'000	*%*	*US$'000*	*%*
Bus (CBU)				
– City Bus	**23,353**	**75.0**	58,335	92.4
– Coach	**1,800**	**5.8**	728	1.1
Bus Body (CKD)				
– City Bus	**3,445**	**11.0**	1,319	2.1
Maintenance and aftersales service	**2,554**	**8.2**	2,781	4.4
Total	**31,152**	**100.0**	63,163	100.0

Gross profit

Our gross profit was approximately US$12.81 million and US$5.69 million for years ended 31 October 2019 and 2020, respectively. Our gross profit margin was approximately 20.3% and 18.3% for financial years ended 31 October 2019 and 2020, respectively. The slight decrease of gross profit margin was due to an increase in production overhead per unit sale.

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$1.31 million or 75.3% from approximately US$1.74 million for the financial year ended 31 October 2019 to US$0.43 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 during the Year and change of business model in Australia 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 paid to our management and our staff who were not directly involved in the production.

Our general and administrative expenses decreased by approximately US$0.74 million or 15.2% from approximately US$4.86 million for the financial year ended 31 October 2019 to US$4.12 million for the Year. Such decrease was mainly attributable from the reduction in legal and professional expenses incurred during the Year.

Income tax expenses

There was a significant decrease in income tax expense of approximately US$1.21 million or 81.76% from approximately US$1.48 million during the year ended 31 October 2019 to approximately US$0.27 million during the Year. The decrease in income tax expense during the Year was mainly due to the decrease 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, these was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group.

Pledge of assets

As at 31 October 2020, pledged bank deposits of approximately US$3.24 million (2019: US$3.30 million) as disclosed in the consolidated statement of financial position have been pledged to banks as security for banking facilities granted to the Group. The net book value of the following assets were pledged to secure certain banking facilities granted to the Group:

	2020	2019
	US$'000	*US$'000*
Freehold land	**1,853**	1,860
Buildings	**4,256**	4,377
	6,109	6,237

Contingent liabilities

As at 31 October 2020, the Group had the following contingent liabilities:

	2020	2019
	US$'000	*US$'000*
Performance bonds for contracts in favour of customers	**5,830**	7,389

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

Capital commitments

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

	2020	2019
	US$'000	*US$'000*
Contracted but not provided for:		
– Investment in joint venture (RMB1,500,000)	**224**	213

During the year ended 31 October 2019, 順鋁(上海)汽車科技有限公司 (**"順鋁(上海)"**), an indirectly wholly-owned subsidiary of the Company, entered into a joint venture agreement (the "**JV agreement**") with上海北斗新能源有限公司 ("**Beidou**") pursuant to which both companies agreed to establish a joint venture company, 上海北鋁汽車科技有限公司 ("**JV Company**"). Pursuant to the JV agreement, the amount of registered capital of the JV Company shall be RMB 3,000,000 while 順鋁(上海) and Beidou shall each account for a capital contribution of RMB 1,500,000. As at 31 October 2020, the Group has not contributed any capital into the JV Company.

PROSPECTS

Our objective is to become one of the leading bus manufacturing solution providers in Asia. We believe the Asia market has a lot of growth potential as countries continue to urbanise with a growing population and bus is a convenient and cost efficient form of public transportation that can be implemented in many areas. 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 and 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 2020 and up to the date of this report.

DIVIDENDS

The Board has recommended a final dividend of HK$0.01 per share for the year ended 31 October 2020 (The proposed final dividend of HK$0.05 per share for the year ended 31 October 2019 was vetoed by the shareholders at the annual general meeting held on 24 March 2020). As a reward to the shareholders for their continuous support, having considered the business, financial and cash flow position of the Group, the Board has also recommended a special dividend of HK$0.04 per share for the year ended 31 October 2020. The recommended dividends are subject to shareholders' approval at the forthcoming annual general meeting of the Company. Such final dividend and special 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 and special dividend are expected to be paid on or about Monday, 26 April 2021.

ANNUAL GENERAL MEETING

The annual general meeting is scheduled to be held on Friday, 26 March 2021. 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 Friday, 26 March 2021, the register of members of the Company will be closed from Tuesday, 23 March 2021 to Friday, 26 March 2021, both days inclusive, during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company's branch share registrar 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 Monday, 22 March 2021.

Subject to the approval of shareholders of the Company at the forthcoming annual general meeting, the final dividend and special dividend will be distributed on or about Monday, 26 April 2021 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 Thursday, 1 April 2021 and the register of members of the Company will be closed on Thursday, 1 April 2021, during which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend and special dividend, all share transfer documents accompanied by the relevant share certificates shall be lodged not later than 4:30 p.m. on Wednesday, 31 March 2021 with the Company's branch 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 2020, the aggregate sum of the Group's bank balances and cash net of bank overdrafts, and short-term pledged bank deposits amounted to approximately US$2.60 million, representing a decrease of approximately US$2.98 million compared with as at 31 October 2019 of approximately US$5.58 million. The net current assets and total equity of the Group were approximately US$11.83 million (2019: approximately US$11.51 million) and approximately US$19.92 million (2019: approximately US$19.59 million). As at 31 October 2020, the Group's bank borrowings and bank overdrafts amounted to approximately US$11.62 million (2019: approximately US$10.11 million).

As at 31 October 2020, the Group's gearing ratio, which is computed based on dividing the total outstanding indebtedness by the total equity, was approximately 50% (2019: approximately 33%).

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 2020 and 2019 are as follows:

	2020	2019
	US$'000	*US$'000*
Lease liabilities	**353**	122
Bank borrowings	**9,059**	8,564
Bank overdrafts	**2,561**	1,546
	11,973	10,232
Less: Cash and bank balances	**1,929**	3,830
Net debt	**10,044**	6,402
Total equity	**19,920**	19,590
Net debt-to-equity ratio	**50%**	33%

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 2020, the total number of full-time employees of the Group was approximately 332 (2019: approximately 357). 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 2020, the Company has complied with the applicable code provisions of the CG Code save and except for Code Provision C.1.2 throughout the Reporting Period. Pursuant to Code Provision C.1.2 of the CG Code, management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. From November 2019 to February 2020, rather than providing monthly updates to all members of the Board, the management provided information and updates to the members of the Board as and when appropriate. Since March 2020, the management has provided monthly updates on the Group's performance, position and prospects and tried its best endeavors to provide management account of the Group to the Directors.

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

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

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

USE OF PROCEEDS

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 2020 *US$ million*	Actual balance as at 31 October 2020 *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 2020, 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 2020.

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 2020 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 2020 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
Pang Chong Yong
Chairman

29 January 2021

As at the date of this announcement, the Board comprises (i) Mr. Pang Chong Yong (Chairman) as executive director 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.