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 2016

FINANCIAL HIGHLIGHTS

— Revenue of the Group for the year ended 31 October 2016 amounted to approximately US$48.69 million, representing an increase of approximately 18.6% from approximately US$41.07 million in the year ended 31 October 2015. Such increase was attributable to the significant increase in delivery of buses body kits in Malaysia, and buses in Hong Kong and New Zealand. The increase in revenue also resulted from more delivery of aluminium double deck buses and articulated buses which have higher selling prices compared with single deck buses. Although the abovementioned increase in revenue was partly off-set by the decrease in delivery of number of buses in Singapore, nonetheless the overall revenue for the year ended 31 October 2016 has increased.

— Profit for the year attributable to owners of the Company amounted to approximately US$2.12 million, representing a decrease of approximately 59.2% from approximately US$5.20 million in the year ended 31 October 2015. The decrease was mainly due to listing expenses of approximately US$2.16 million recognised during the Reporting Period. Secondly, the Group enjoyed an income tax exemption of approximately US$1.19 million in relation to a claim of export tax allowance incentive during the year ended 31 October 2015, which is not available in the Reporting Period.

— Basic and diluted earnings per share for 2016 were US$1.13 cents as compared with US$2.77 cents for 2015.

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 2016 (the "**Reporting Period**") with comparative figures for the year ended 31 October 2015. 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 2016

	Notes	2016 US$'000	2015 US$'000
Revenue	4	**48,690**	41,070
Cost of sales		**(36,062)**	(31,868)
Gross profit		**12,628**	9,202
Other revenue	5	**52**	64
Other net income	5	**496**	928
Selling and distribution expenses		**(3,593)**	(1,742)
General and administrative expenses		**(5,300)**	(2,299)
Profit from operations		**4,283**	6,153
Finance costs	6	**(789)**	(791)
Share of profit of an associate		**155**	—
Profit before taxation	7	**3,649**	5,362
Income tax	8	**(1,533)**	(162)
Profit for the year attributable to the equity owners of the Company		**2,116**	5,200
Other comprehensive income/(loss) for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of overseas subsidiaries		**31**	(1,008)
Total comprehensive income for the year attributable to equity owners of the Company		**2,147**	4,192
Earnings per share			
— Basic and diluted	10	**US$1.13 cents**	US$2.77 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 OCTOBER 2016

	Notes	**2016** **US$'000**	2015 US$'000
Non-current assets			
Property, plant and equipment		**7,625**	5,717
Intangible asset		**283**	277
Interest in an associate		**155**	—
Deferred tax assets		**—**	125
		8,063	6,119
Current assets			
Inventories		**12,629**	6,884
Trade and other receivables	*11*	**15,145**	7,858
Tax recoverable		**—**	332
Pledged bank deposits		**1,993**	1,249
Cash and bank balances		**1,700**	951
		31,467	17,274
Current liabilities			
Trade and other payables	*12*	**19,455**	7,468
Bank borrowings		**11,081**	9,487
Bank overdrafts		**879**	829
Obligations under finance leases		**73**	41
Amounts due to directors		**—**	734
Provision for taxation		**56**	13
		31,544	18,572
Net current (liabilities)		**(77)**	(1,298)
Total assets less current liabilities		**7,986**	4,821

	Notes	**2016** **US$'000**	2015 *US$'000*
Non-current liabilities			
Obligations under finance leases		**218**	88
Deferred tax liabilities		**177**	—
		395	88
Net assets		**7,591**	4,733
Capital and reserves			
Share capital	*13*	**242**	679
Reserves		**7,349**	4,054
Total equity attributable to owners of the Company		**7,591**	4,733

1. GENERAL INFORMATION OF THE GROUP

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 21 June 2016. As at 31 October 2016, the directors consider that the Company is ultimately controlled by Mr. Phang Sun Wah and Mr. Pang Chong Yong (the "**Controlling Shareholders**").

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

The consolidated financial statements for the year ended 31 October 2016 comprises the Group and the Group's interest in an associate.

Pursuant to the Group's reorganisation (the "**Reorganisation**") in preparation for the listing of the Company's share (the "**Listing**") on the Stock Exchange, the Company become the holding company of the companies now comprising the Group. Details of which were set out in the section headed "History, reorganisation and corporate structure" in the Company's prospectus dated 31 October 2016 (the "**Prospectus**"). The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements have been prepared as if the Reorganisation had been completed at 1 November 2014 and the current group structure had always been in existence.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of change in equity and consolidated statement of cash flows for the two years ended 31 October 2016 have been prepared to present the results and cash flows of the companies now comprising the Group (or where the companies were incorporated at a date later than 1 November 2014, for the period from the date of incorporation to 31 October 2016), as if the group structure had been in existence throughout the two years ended 31 October 2016. The consolidated statement of financial position of the Group as at 31 October 2015 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at that date.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing these financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gain but only to the extent that there is no evidence of impairment.

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$**") which the consolidated financial statements are presented in United States dollars ("**US$**"), rounded to the nearest thousand, unless otherwise stated, which the management of the Group considered is more beneficial for the users of the consolidated financial statements.

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

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

As at 31 October 2016, the Group's current liabilities exceeded its current assets by US$77,000 (2015: US$1,298,000). The directors of the Company consider that the Group is able to mitigate the liquidity risk taking into consideration of the Group's ability to generate positive cash flows and the receipt of proceeds from the global offering (the "**Global Offering**") of the Company's shares after the listing on the Stock Exchange subsequent to 31 October 2016 to support its operation as well as other cash outflow commitments.

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

The Hong Kong Institute of Certified Public Accountants has issued certain amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have a significant impact on the Group's consolidated financial statements.

The Group has not applied the following new or revised HKFRSs that have been issued but are not yet effective for the year ended 31 October 2016, in these financial statements:

	Effective for accounting periods beginning on or after
Amendments to HKAS 7, Disclosure Initiative	1 January 2017
Amendments to HKAS 12, Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Annual Improvements to HKFRSs 2012-2014 Cycle	1 January 2016
Amendments to HKFRS 2, Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to HKFRS 10 and HKAS 28 (2011), Sale or Contribution of Assets between an Investor and its Associate or Joint venture	Effective for annual periods beginning on or after a date to be determined
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to HKFRS 11, Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to HKFRS 15, Clarification to HKFRS 15 "Revenue from Contracts with Customers"	1 January 2018
Amendments to HKAS 1, Disclosure initiative	1 January 2016
Amendments to HKAS 16 and HKAS 38, Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41, Agriculture: Bearer Plants	1 January 2016
Amendments to HKAS 27 (2011), Equity Method in Separate Financial Statements	1 January 2016
HKFRS 9, Financial Instruments	1 January 2018
HKFRS 14, Regulatory Deferral Accounts	1 January 2016
HKFRS 15, Revenue from Contracts with Customers	1 January 2018
HKFRS 16, Leases	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position, except for the following.

HKFRS 9 Financial Instruments

HKFRS 9 replaces the existing guidance in HKAS 39 Financial Instruments: Recognition and measurement. HKFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from HKAS 39.

The directors of the Company anticipate that the application of HKFRS 9 may impact on amounts reported in respect of the Group's financial assets and financial liabilities. In particular, the new impairment requirements may result in early recognition of credit losses of the Group's trade and other receivables, if any. The directors are in the process of assessing the quantitative effect of these requirements, and accordingly it is not yet in a position to provide a reasonable estimate of the quantitative effect of HKFRS 9 until the assessment has been completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is to be recognised. It replaces existing revenue recognition guidance, including HKAS 18 Revenue, HKAS 11 Construction Contracts and HK(IFIC)-Int 13 Customer Loyalty Programmes. It also includes guidance on when to capitalise costs of obtaining or fulfilling a contract not otherwise addressed in other standards, and includes expanded disclosure requirements.

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

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

The directors of the Company anticipate that the application of HKFRS 15 may impact on the Group's reported financial performance, financial position and disclosures due to the application of the new revenue recognition framework. The directors of the Company are in the process of assessing the quantitative effect of these requirements, and accordingly it is not yet in a position to provide a reasonable estimate of the quantitative effect of HKFRS 15 until the assessment has been completed.

HKFRS 16 Leases

HKFRS 16 provides comprehensive guidance for the identification of lease arrangements and their treatment by lessees and lessors. In particular, HKFRS 16 introduces a single lessee accounting model, whereby assets and liabilities are recognised for all leases, subject to limited exceptions. It replaces HKAS 17 "Leases" and the related interpretations including HK(IFRIC)-Int 4 "Determining whether an arrangement contains a lease".

For lessee accounting, HKFRS 16 introduces a single accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or financial leases, and to account for those two types of leases differently.

The future aggregate minimum lease payments under non-cancellable operating lease of the Group as at 31 October 2016 amounted to approximately US$424,000. Based on current leasing patterns, the directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that the certain portion of the lease commitment will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

4. SEGMENT INFORMATION AND REVENUE

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board, being the chief operating decision maker (the "**CODM**"), for the purpose of allocating resources to segments and assessing their performance.

The Group has presented the following two reporting segments:

— Sales of bus bodies and kits — sales and fabrication of body work for buses and trading of body kits

— Sales of parts and provision of relevant services — dealing in spare parts for buses and provision of relevant services for buses

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

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

Information regarding the above segments is reported below.

The following is an analysis of the Group's revenue and results by operating and reportable segments for the years:

For the year ended 31 October 2016

	Sales of bus bodies and kits *US$'000*	Sales of parts and provision of relevant services *US$'000*	Total *US$'000*
Revenue			
Revenue from external customers	**46,565**	**2,125**	**48,690**
Reportable segment revenue	**46,565**	**2,125**	**48,690**
Reportable segment profit	**6,546**	**383**	**6,929**
Unallocated head office and corporate expenses:			
— Finance costs			**(789)**
— Other expenses			**(1,032)**
— Listing expenses			**(2,162)**
Other revenue			**52**
Other net income			**496**
Share of profit of an associate			**155**
Profit before income tax			**3,649**
Other segment information			
Depreciation	**399**	**—**	**399**
Allowances for doubtful debts	**191**	**—**	**191**

For the year ended 31 October 2015

	Sales of bus bodies and kits *US$'000*	Sales of parts and provision of relevant services *US$'000*	Total *US$'000*
Revenue			
Revenue from external customers	39,371	1,699	41,070
Reportable segment revenue	39,371	1,699	41,070
Reportable segment profit	5,385	255	5,640
Unallocated head office and corporate expenses:			
— Finance costs			(791)
— Other expenses			(479)
Other revenue			64
Other net income			928
Profit before income tax			5,362
Other segment information			
Depreciation	398	8	406
Allowances for doubtful debts	271	—	271

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	
	2016	2015
	US$'000	*US$'000*
Malaysia (place of domicile)	**11,929**	4,579
Singapore	**18,158**	25,239
Hong Kong	**7,761**	2,962
New Zealand	**4,505**	—
Others	**6,337**	8,290
	48,690	41,070

5. OTHER REVENUE AND OTHER NET INCOME

	2016	2015
	US$'000	*US$'000*
Other revenue		
Bank interest income	**45**	47
Total interest income on financial assets not at fair value through profit or loss	**45**	47
Rental income	**2**	3
Others	**5**	14
	52	64
Other net income		
Net foreign exchange gain	**493**	915
Gain on disposal of property, plant and equipment	**3**	13
	496	928

6. FINANCE COSTS

	2016	2015
	US$'000	*US$'000*
Interest on bank and other borrowings	**780**	784
Finance charge on obligations under finance leases	**9**	7
Total interest expenses on financial liabilities not at fair value through profit or loss	**789**	791

7. PROFIT BEFORE TAXATION

	2016	2015
	US$'000	*US$'000*
Salaries, wages and other benefits (including directors' emoluments)	**2,116**	1,441
Contributions to defined contribution retirement plans	**241**	122
	2,357	1,563

	2016	2015
	US$'000	*US$'000*
Allowance for impairment losses on receivables	**191**	271
Auditors' remuneration (excluding listing related services)	**177**	15
Cost of inventories	**36,062**	31,868
Depreciation*	**399**	406
Listing expenses	**2,162**	—
Net foreign exchange (gain)	**(493)**	(915)
(Gain) on disposal of property, plant and equipment	**(3)**	(13)
Operating lease charges in respect of:		
— properties	**380**	18
— equipment	**5**	3

* *Cost of inventories includes approximately US$1,095,000 (2015: US$936,000) relating to staff costs and depreciation charges, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.*

8. INCOME TAX EXPENSE

	2016 *US$'000*	2015 *US$'000*
Current tax		
Charge for the year	**1,156**	575
Under/(over) provision in respect of prior years	**64**	(6)
Deferred tax		
Origination and reversal of temporary differences	**313**	(407)
Income tax expense for the year	**1,533**	162

(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 2016 (2015: 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 2016 and 2015.

(iii) During the year ended 31 October 2016, GML Coach Technology Pte. Limited, ("**GML Coach**"), a wholly-owned subsidiary of the Group is subject to Singapore statutory income tax rate of 17% (2015: 17%).

(iv) During the year ended 31 October 2015, Gemilang Coachwork Sdn. Bhd. ("**Gemilang Coachwork**"), a wholly-owned subsidiary of the Group was subject to Malaysia statutory income tax rate of 25% and was changed to 24% during the year ended 31 October 2016 and thereafter according to the laws of Malaysia Act 764 Finance (No. 2) ACT 2014.

9. DIVIDENDS

Dividends during the years ended 31 October 2016 and 2015 of approximately US$1,222,000 and US$2,265,000 respectively, represented dividends declared by the respective companies of now comprising the Group to the then owners of the respective companies for each of the year ended 31 October 2016 and 2015 prior to the Reorganisation. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful.

No dividend has been paid or declared by the Company since its incorporation on 21 June 2016.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the consolidated profits for the year of approximately US$2,116,000 (2015: US$5,200,000) and on the number of 187,500,000 (2015: 187,500,000) shares on the assumption that the Reorganisation and the loan capitalisation issue (as defined in the Prospectus) had been effective on 1 November 2014.

Diluted earnings per share is same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the years ended 31 October 2016 and 2015.

11. TRADE AND OTHER RECEIVABLES

	2016	2015
	US$'000	*US$'000*
Trade receivables	**12,874**	7,327
Less: allowance for doubtful debts	**(661)**	(467)
	12,213	6,860
Other receivables	**1,188**	488
Advances to suppliers	**503**	403
Deposits	**33**	25
Prepayments	**1,208**	82
	2,932	998
	15,145	7,858

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

The following is an ageing analysis of trade receivables presented based on the invoice date and net of allowance for doubtful debts at the end of each reporting period.

	2016	2015
	US$'000	*US$'000*
Within 30 days	**3,205**	2,337
31 to 90 days	**6,767**	1,911
Over 90 days	**2,241**	2,612
	12,213	6,860

12. TRADE AND OTHER PAYABLES

	2016	2015
	US$'000	*US$'000*
Trade payables	**12,154**	4,789
Other payables and accruals	**4,186**	947
Advance deposits from customers	**3,115**	1,732
	19,455	7,468

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

	2016	2015
	US$'000	*US$'000*
Within 30 days	**4,432**	1,176
31 to 90 days	**4,260**	1,783
Over 90 days	**3,462**	1,830
	12,154	4,789

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

13. SHARE CAPITAL

Ordinary shares of HK$0.01 each

Authorised:

	No. of shares	**Amount**
		US$'000
At date of incorporation on 21 June 2016 *(note i)*	38,000,000	49
Increased during the year *(note ii)*	1,962,000,000	2,532
At 31 October 2016	2,000,000,000	2,581

Issued and fully paid:

	No. of shares	**Amount**
		US$'000
At date of incorporation on 21 June 2016 *(note i)*	1	—
Issuance of new shares upon Reorganisation *(note iii)*	4	—
Loan capitalisation *(note iv)*	187,499,995	242
At 31 October 2016	187,500,000	242

Notes:

(i) The Company was incorporated in the Cayman Islands on 21 June 2016 as an exempted company with an authorised share capital of HK$380,000, divided into 38,000,000 shares of HK$0.01 each. Upon incorporation, 1 share was allotted and issued.

(ii) Pursuant to the written resolution passed by the shareholder of the Company, Gemilang International Investments Limited on 21 October 2016, the authorised share capital of the Company was increased from HK$380,000 to HK$20,000,000 by the creation of an additional 1,962,000,000 shares of HK$0.01 each.

(iii) *On 20 October 2016, through the Reorganisation, the Company issued a total of 4 shares as consideration for acquisition of the entire issued share capital of Gemilang Coachwork and GML Coach.*

(iv) *On 21 October 2016, the Company entered into a loan capitalisation agreement with its shareholder, pursuant to which the Company allotted and issued 187,499,995 shares, credited as fully paid to the shareholder by way of capitalisation of the loan in the amount of HK$15,000,000 (equivalent to approximately US$1,933,000) due from the Company to the shareholder.*

(v) *The share capital balance in the consolidated statement of financial position as at 31 October 2015 represented the issued share capital of Gemilang Coachwork and GML Coach of RM2,000,000 (equivalent to US$675,000) and SGD5,000 (equivalent to US$4,000) respectively.*

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, China and New Zealand. Our buses, comprising city buses and coaches in both aluminium and steel, mainly serve public and private bus transportation operators in our target markets.

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

We sell our products to public and private bus transportation operators, chassis principals and their purchasing agents, bus assemblers and manufacturers in two categories: (i) in the form of bus bodies (SKDs* and CKDs*) for their local assembly and onward sales; and (ii) buses (CBUs*) which we assemble onto chassis for direct delivery.

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

During the Reporting Period, approximately 85.2% of our revenue was derived from the sales of aluminium buses and bus bodies. The demand in aluminium bus and bus body will continue to experience a higher growth due to increasing demand 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 292 units of CBUs*, 54 units of CKDs* and 176 units of SKDs* to our customers during the Reporting Period.

**Notes:*

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

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

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

OPERATING RESULTS AND FINANCIAL REVIEW

Revenue

Our revenue was principally generated from the assembly and sale of aluminium and steel buses and the manufacture of bus bodies. We generated revenue of approximately US$41.07 million and US$48.69 million for the years ended 31 October 2015 and 2016 respectively. The increasing trend was primarily due to the increase in the sale of products to both our core and developing markets, in particularly in Malaysia, Hong Kong and New Zealand.

By product category

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

	For the year ended 31 October			
	2016		2015	
	US$'000	*%*	*US$'000*	*%*
Bus (CBU)				
— City Bus	**29,677**	**61.0**	31,539	76.8
— Coach	**4,832**	**9.9**	2,885	7.0
Bus Body				
CKD				
— City Bus	**1,438**	**3.0**	2,100	5.1
— Coach	**563**	**1.0**	—	—
SKD				
— City Bus	**10,055**	**20.7**	2,847	6.9
— Coach	**—**	**—**	—	—
Maintenance and aftersales service	**2,125**	**4.4**	1,699	4.2
TOTAL	**48,690**	**100.0**	41,070	100.0

By product material category

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

	For the year ended 31 October			
	2016		2015	
	US$'000	***%***	*US$'000*	*%*
Aluminium	**41,485**	**85.2**	35,839	87.3
Steel	**5,080**	**10.4**	3,532	8.6
Subtotal	**46,565**	**95.6**	39,371	95.9
Maintenance and aftersales service	**2,125**	**4.4**	1,699	4.1
Total	**48,690**	**100.0**	41,070	100.0

Gross profit

Our gross profit was approximately US$9.20 million and US$12.63 million for years ended 31 October 2015 and 2016, respectively. Our gross profit margin was approximately 22.4% and 25.9% for years ended 31 October 2015 and 2016, respectively. The general increasing trend of gross profit margin during the Reporting Period was primarily due to the depreciation of Malaysian Ringgit in which we incurred a significant portion of our cost, whereas the majority of our revenue was derived from foreign currencies and increase in sales of buses to New Zealand which generated a higher selling price before deducting sales related expenses, which are included in "Selling and distribution expenses".

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 increased by approximately US$1.85 million or 106.3% from approximately US$1.74 million for the year ended 31 October 2015 to US$3.59 million in the Reporting Period. Such increase was driven by the increase in commission payable to Gemilang Australia Pty Limited, an associate of the Group, which acts as the marketing agent for the markets in Australia and New Zealand, as a result of increase in sales of buses to Australia and New Zealand from approximately US$3.35 million for the year ended 31 October 2015 to approximately US$7.13 million in the Reporting Period.

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$3.00 million or 130.4% from approximately US$2.30 million for the year ended 31 October 2015 to US$5.30 million in the Reporting Period. Such increase was mainly attributed by a higher professional fee due to the listing expense of approximately US$2.16 million related to the Global Offering, the increase in management team members and the increase in salaries.

Income tax expenses

There was a significant increase in income tax expense during the Reporting Period from approximately US$0.16 million to US$1.53 million. The Group enjoyed an income tax exemption of approximately US$1.19 million in relation to a claim of export tax allowance incentive during the year ended 31 October 2015, which is not available in the Reporting Period and that contributed to the increase in the income tax expenses in the Reporting Period. In accordance with the Income Tax (Exemption) (No. 17) Order 2005 (P.U.(A) 158/2005), such export tax incentive is granted to a local company resident in Malaysia and carrying on activities of manufacturing or agricultural from the payment of income tax in respect of income derived from increase in export sales.

Profit forecast

During the Reporting Period, the Group has met the profit forecast of US$2.10 million as set out in the Prospectus.

Significant investments held

During the Reporting Period, there was no significant investment held by the Group.

Future plans for material investments and capital assets

Save as disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries and affiliated companies

During the Reporting Period, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies, save as disclosed in the Prospectus.

Pledge of assets

As at 31 October 2016, pledged bank deposits of approximately US$2.00 million (2015: US$1.25 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:

	2016	2015
	US$'000	*US$'000*
Freehold land	**1,844**	1,791
Buildings	**2,890**	2,787
Building in progress	**1,520**	184
	6,254	4,762

Contingent Liabilities

As at 31 October 2016, the Group had the following contingent liabilities:

(i) Performance bonds

	2016	2015
	US$'000	*US$'000*
Performance bonds for contracts in favour of customers	**5,970**	3,372

The above performance bonds were given by banks in favour of some of Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sums stipulated in 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.

(ii) Financial guarantees

As at 31 October 2016, the Group had contingent liabilities regarding the financial guarantees issued.

	2016	2015
	US$'000	*US$'000*
Guarantees given to banks in connection with facilities granted to:		
— Related companies		
GML Property Sdn. Bhd.	**1,859**	1,817
GML Technologies Sdn. Bhd.	**1,362**	1,331
	3,221	3,148

	2016	2015
	US$'000	*US$'000*
Utilised to the extent of the following amounts by:		
— Related companies		
GML Property Sdn. Bhd.	**1,859**	1,817
GML Technologies Sdn. Bhd.	**1,362**	1,331
	3,221	3,148

The maximum liability of the Group under the guarantees issued represents the amount drawn down by the related parties. No deferred income in respect of these guarantees issued has been recognised as the directors of the Company consider that the fair value of the guarantees is not significant. Accordingly, theses guarantees were not provided for in these financial statements.

Capital Commitments

As at 31 October 2016, the Group did not have any significant capital commitments.

PROSPECTS

Our objective is to become one of the leading bus manufacturing solution providers in Asia. We believe the Asian market has a lot of growth potential as countries continue to urbanise with a growing population and bus is a convenient and cost efficient form of public transportation that can be implemented in many areas. We believe we are well positioned and equipped with the technological capability to capture this opportunity.

The following highlights our key development strategies:

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

China's bus market and industry is the largest in the world. The demand for buses in China is expected to increase by an average of 9% per annum from 2016 to 2020 and the general demand for electric buses is also expected to increase. We have, to date, established business relationships with customers in Hong Kong and several other cities in China. We have the intention to set up an office in China in the future to better serve our existing customers and further develop these markets. We may set up a manufacturing facility and commence operation in China when we consider there is sufficient demand and potential.

We plan to streamline and improve our production process in Malaysia

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

We will further enhance our strategic partnership with chassis principals

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

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

- develop new markets with our chassis principals;
- develop new bus models with our chassis principals;
- share our bus production technology and know-how in improving production efficiency; and
- leverage our market position to help our chassis principals to enter new markets.

We aim to consolidate our leading position in Malaysia and Singapore

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

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

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

We will further diversify our product portfolio

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

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

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

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere under the section headed "Global Offering", there is no material subsequent event undertaken by the Company or by the Group after the Reporting Period and up to the date of this announcement.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 October 2016.

GLOBAL OFFERING

Subsequent to the Reporting Period, on 11 November 2016, the Company successfully completed its Listing, marking yet another significant milestone of the Group. This step forward not only enables us to strengthen our operations in Malaysia, but also provide us with the financial strength to expand into Hong Kong and the mainland China.

FOREIGN CURRENCY RISK

The Group undertakes certain transactions denominated in foreign currencies, majorly 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 and to keep the net exposure to an acceptable level. The Group will consider hedging significant foreign currency exposure should the need arise.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 October 2016, the aggregate sum of the Group's bank balances and cash net of bank overdrafts, short-term pledged bank deposits amounted to approximately US$2.81 million, representing an increase of approximately US$1.44 million compared to last year. The net current liabilities and total equity of the Group were approximately US$0.08 million (2015: approximately US$1.30 million) and approximately US$7.59 million (2015: approximately US$4.73 million). The Company has received the net proceeds from Global Offering of approximately HK$68.06 million (approximately US$8.77 million) in November 2016. HK$15 million of the total amount of fees and expenses in connection with the Listing has been paid from the proceeds of the Pre-IPO Investments. As at 31 October 2016, the Group's bank borrowings and bank overdrafts amounted to approximately US$11.96 million (2015: approximately US$10.32 million).

As at 31 October 2016, the Group's gearing ratio, which is computed based on dividing the total outstanding indebtedness by the total equity, was approximately 139% (2015: 201%).

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 2016 and 2015 is as follows:

	2016	2015
	US$'000	*US$'000*
Obligations under finance leases	**291**	129
Bank borrowings	**11,081**	9,487
Bank overdrafts	**879**	829
	12,251	10,445
Less: Cash and bank balances	**1,700**	951
Net debt	**10,551**	9,494
Total equity	**7,591**	4,733
Net debt-to-equity ratio	**139%**	201%

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 Reporting Period.

The Board has reviewed 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 of dividends as well as issue of new debt or the redemption of the debt.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 October 2016, the total number of full-time employees of the Group was approximately 222. 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 organized by professional or educational institutions, in Malaysia, Hong Kong or other jurisdiction.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As the Company has yet to be listed on the Main Board during the Reporting Period, the requirements under the Corporate Governance Code to the Main Board Listing Rules or the continuing obligations requirements of a listed issuer pursuant to the Main Board Listing Rules was not applicable to the Company during the Reporting Period.

The Board is of the view that the Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the period from the listing date on 11 November 2016 (the "**Listing Date**") up to the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules for securities transactions by directors. Having made specific enquiry of all directors, all directors have complied with the required standard set out in the Model Code regarding securities transactions by directors throughout the period from the Listing Date on 11 November 2016 up to the date of this announcement.

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, HK$15 million of the total amount of fees and expenses in connection with the Listing has been paid from the proceeds of the Pre-IPO Investments. These proceeds are intended to be applied in accordance with the proposed application set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. Any net proceeds that were not applied immediately have been temporarily deposited with banks in Hong Kong and Malaysia as at the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company was not listed on Main Board until the Listing Date. From the Listing Date to the date of this announcement, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during Reporting Period.

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 Horwath (HK) CPA Limited ("**Crowe Horwath**"), 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 2016.

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 2016 have been agreed by the Group's auditors, Crowe Horwath, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Crowe Horwath 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 Horwath on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the website 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 2016 containing all the information required by the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the Shareholders will be held on a date to be fixed by the Board. Notice of Annual General Meeting will be published and despatched to the Shareholders in due course.

APPRECIATION

The Board would like to take this opportunity to express their thanks and gratitude to the Group's management and staff who dedicated their endless efforts and devoted services, and to our shareholders, suppliers, clients and bankers for their continuous support.

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

Hong Kong, 24 January 2017

As at the date of this announcement, the Board comprises (i) Mr. Phang Sun Wah, 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.