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Gemilang International Limited
彭順國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6163)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 APRIL 2017

The board of directors (the "**Board**") of Gemilang International Limited (the "**Company**") is pleased to announce its unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 April 2017 (the "**Reporting Period**") together with the comparative figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 April 2017

		For the six months ended 30 April	
		2017	2016
		(Unaudited)	(Audited)
	Note	***US$'000***	*US$'000*
Revenue	3	**21,838**	16,754
Cost of sales		**(16,692)**	(12,624)
Gross profit		**5,146**	4,130
Other revenue		**29**	28
Other net income		**250**	107
Selling and distribution expenses		**(1,578)**	(839)
General and administrative expenses		**(2,717)**	(1,667)
Profit from operations		**1,130**	1,759

	Note	For the six months ended 30 April 2017 (Unaudited) US$'000	2016 (Audited) US$'000
Finance costs	4a	**(304)**	(323)
Share of (loss) of an associate		**(98)**	–
Profit before taxation	4	**728**	1,436
Income tax	6	**(461)**	(528)
Profit for the period attributable to the equity owners of the Company		**267**	908
Other comprehensive (loss)/income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of overseas subsidiaries		**(106)**	500
Total comprehensive income for the period attributable to equity owners of the Company		**161**	1,408
Earnings per share			
— Basic (US cents per share)	7	**0.11**	0.48
— Diluted (US cents per share)	7	**0.11**	0.48

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 April 2017

	Note	**As at 30 April 2017 (Unaudited) *US$'000***	As at 31 October 2016 (Audited) *US$'000*
Non-current assets			
Property, plant and equipment	8	**7,508**	7,625
Intangible asset		**274**	283
Interest in an associate	9	**57**	155
		7,839	8,063
Current assets			
Inventories		**15,686**	12,629
Trade and other receivables	10	**8,326**	15,145
Tax recoverable		**69**	—
Pledged bank deposits	11	**1,927**	1,993
Cash and bank balances		**3,860**	1,700
		29,868	31,467
Current liabilities			
Trade and other payables	12	**11,373**	19,455
Bank borrowings	13	**7,580**	11,081
Bank overdrafts		**896**	879
Obligations under finance leases		**73**	73
Provision for taxation		**33**	56
		19,955	31,544
Net current assets/(liabilities)		**9,913**	(77)
Total assets less current liabilities		**17,752**	7,986

	As at 30 April 2017 (Unaudited) *US$'000*	As at 31 October 2016 (Audited) *US$'000*
Non-current liabilities		
Obligations under finance leases	**172**	218
Deferred tax liabilities	**252**	177
	424	395
Net assets	**17,328**	7,591
Capital and reserves		
Share capital	**322**	242
Reserves	**17,006**	7,349
Total equity attributable to owners of the Company	**17,328**	7,591

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 April 2017

1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding. The principal activity of the Group is engaged in assembling and selling of aluminium and steel buses and manufacturing bus bodies.

As at 30 April 2017, the directors consider that the Company is ultimately controlled by Mr. Phang Sun Wah and Mr. Pang Chong Yong.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated financial statements for the six months ended 30 April 2017 comprises the Company and its subsidiaries and the Group's interest in an associate.

The condensed consolidated financial statements have been prepared in accordance with HKAS 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants, ("**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The condensed consolidated financial statements have been prepared on a going concern basis as at 30 April 2017, as the directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration the ability to generate funds internally.

The condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 October 2016.

Pursuant to the Group's reorganisation (the "**Reorganisation**") in preparation for the listing of the Company's shares (the "**Listing**") on the Stock Exchange, the Company became 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 condensed consolidated financial statements have been prepared as if the Reorganisation had been completed at 1 November 2015 and the current group structure had always been in existence.

The condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of change in equity and condensed consolidated statement of cash flows for the six months period ended 30 April 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 2015, for the period from the date of incorporation to 31 October 2016), as if the group structure had been in existence throughout the six months period ended 30 April 2016.

Principal accounting policies

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 April 2017 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 31 October 2016 except for the following accounting policies which are adopted by the Group during the current interim period as they become applicable to the Group.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to directors and employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in share options reserve.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. After vesting, when the share options are forfeited before expiry or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

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

Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27	*Equity Method in Separate Financial Statements*
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012–2014 Cycle*

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

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

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

Revenue represents the value of goods sold and services provided to customers.

The amount of each significant category of revenue was as follows:

	Six months ended 30 April	
	2017	2016
	(Unaudited)	(Audited)
	US$'000	*US$'000*
Revenue		
Sales of bus bodies and kits	**20,551**	15,824
Sales of parts and provision of relevant services	**1,287**	930
	21,838	16,754

(b) Segment reporting

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

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, share of loss of an associate, interest income and finance costs. This is the measure reported to the CODM, for the purposes of resources allocation and performance assessment.

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

Information regarding the above segments is reported below.

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

For the six months period ended 30 April 2017

	Sales of bus bodies and kits (Unaudited) *US$'000*	Sales of parts and provision of relevant services (Unaudited) *US$'000*	Total (Unaudited) *US$'000*
Revenue			
Revenue from external customers	**20,551**	**1,287**	**21,838**
Reportable segment revenue	**20,551**	**1,287**	**21,838**
Reportable segment profit	**1,516**	**358**	**1,874**
Unallocated head office and corporate expenses:			
— Finance costs			**(304)**
— Other expenses			**(1,023)**
Other revenue			**29**
Other net income			**250**
Share of loss of an associate			**(98)**
Profit before income tax			**728**

For the six months period ended 30 April 2016

	Sales of bus bodies and kits (Audited) *US$'000*	Sales of parts and provision of relevant services (Audited) *US$'000*	Total (Audited) *US$'000*
Revenue			
Revenue from external customers	15,824	930	16,754
Reportable segment revenue	15,824	930	16,754
Reportable segment profit	1,744	166	1,910
Unallocated head office and corporate expenses:			
— Finance costs			(323)
— Other expenses			(286)
Other revenue			28
Other net income			107
Profit before income tax			1,436

4. PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 April	
	2017 (Unaudited) *US$'000*	2016 (Audited) *US$'000*
Interest on bank and other borrowings	**298**	320
Finance charge on obligations under finance leases	**6**	3
Total interest expenses on financial liabilities not at fair value through profit or loss	**304**	323

(b) Staff costs (including directors' emoluments)

	Six months ended 30 April	
	2017	2016
	(Unaudited)	(Audited)
	US$'000	*US$'000*
Salaries, wages and other benefits	**1,145**	842
Contributions to defined contribution retirement plans	**120**	93
	1,265	935

(c) Other items

	Six months ended 30 April	
	2017	2016
	(Unaudited)	(Audited)
	US$'000	*US$'000*
Allowance for impairment losses on receivables	**—**	135
Cost of inventories	**16,692**	12,624
Depreciation	**200**	182
Net foreign exchange (gain)	**(248)**	(107)
(Gain) on disposal of property, plant and equipment	**(1)**	—
Operating lease charges in respect of		
— properties	**103**	93
— equipment	**2**	1

5. DIVIDENDS

Dividends during the six months period ended 30 April 2016 represented dividends declared by the companies now comprising the Group to the then owners of the respective companies for six months period ended 30 April 2016 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.

6. INCOME TAX

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

	Six months ended 30 April	
	2017	2016
	(Unaudited)	(Audited)
	US$'000	*US$'000*
Current tax		
Charge for the period	**386**	189
Underprovision in respect of prior years	**—**	54
Deferred tax		
Origination and reversal of temporary differences	**75**	285
Income tax expense	**461**	528

7. EARNINGS PER SHARE

	Six months ended 30 April	
	2017	2016
	(Unaudited)	(Audited)
	US$'000	*US$'000*
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted per share	**267**	908

Number of shares	**Six months ended 30 April**	
	2017	2016
Issued ordinary shares at 1 November	**187,500,000**	5
Effect of loan captialisation	**—**	187,499,995
Effect of shares issued by global offering	**59,046,961**	—
Weighted average number of ordinary shares for the purpose of basic earnings per share	**246,546,961**	187,500,000
Effect of dilutive potential ordinary shares:		
Share options	85,574	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**246,632,535**	187,500,000

Basic earnings per share

The calculation of basic earnings per share is based on the profit for the period of US$267,000 (2016: US$908,000) and the weighted average of 246,546,961 ordinary shares (2016: 187,500,000 shares, comprising 5 ordinary shares as at 30 November 2015 and 187,499,995 ordinary shares issued pursuant to the capitalisation issue as if the shares were outstanding throughout six months ended 30 April 2016).

The weighted overage number of ordinary shares in issue during the six months ended 30 April 2016 is based on the assumption that ordinary shares were in issue as if these ordinary shares issued at the date of Company became the holding company of the Group were outstanding throughout the period.

Diluted earnings per share

The calculation of diluted earnings per share is based on the profit for the period of US$267,000 and the weighted average of 246,632,535 ordinary shares, which is calculated after taking into account of the effect of deemed issue of shares under the Company's share option scheme.

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 April 2016 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the period.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months period ended 30 April 2017, the Group disposed of certain motor vehicles with an aggregate carrying amount of US$nil (six-month period ended 30 April 2016: US$nil) for proceeds of US$1,000 (six-month period ended 30 April 2016: US$nil), resulting in gain or loss on disposal of US$1,000. In addition, the Group paid US$331,000 (unaudited) (six-month period ended 30 April 2016: US$1,448,000 (audited)) for the acquisition of property, plant and equipment to expand its operations.

9. INTEREST IN AN ASSOCIATE

	At 30 April 2017 (Unaudited) ***US$'000***	At 31 October 2016 (Audited) *US$'000*
Investment costs	**—**	—
Share of post-acquisition profits and other comprehensive income, net of dividends received	**57**	155
	57	155

Investment in an associate is accounted for using the equity method in the condensed consolidated financial statements.

10. TRADE AND OTHER RECEIVABLES

	At 30 April 2017 (Unaudited) *US$'000*	At 31 October 2016 (Audited) *US$'000*
Trade receivables	**7,539**	12,874
Less: allowance for doubtful debts	**(644)**	(661)
	6,895	12,213
Other receivable	**178**	1,188
Advances to suppliers	**203**	503
Deposits	**83**	33
Prepayments	**967**	1,208
	1,431	2,932
	8,326	15,145

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

Ageing analysis of trade receivables

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

	At 30 April 2017 (Unaudited) *US$'000*	At 31 October 2016 (Audited) *US$'000*
Within 30 days	**3,571**	3,205
31 to 90 days	**1,193**	6,767
Over 90 days	**2,131**	2,241
	6,895	12,213

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

11. PLEDGED BANK DEPOSITS

	At 30 April 2017 (Unaudited) *US$'000*	At 31 October 2016 (Audited) *US$'000*
Fixed deposits	**1,927**	1,993

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

12. TRADE AND OTHER PAYABLES

	At 30 April 2017 (Unaudited) *US$'000*	At 31 October 2016 (Audited) *US$'000*
Trade payables	**8,114**	12,154
Other payables and accruals	**942**	4,186
Advance deposits from customers	**2,317**	3,115
	11,373	19,455

Ageing analysis of trade payables

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

	At 30 April 2017 (Unaudited) *US$'000*	At 31 October 2016 (Audited) *US$'000*
Within 30 days	**2,194**	4,432
31 to 90 days	**4,566**	4,260
Over 90 days	**1,354**	3,462
	8,114	12,154

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. BANK BORROWINGS

During the current interim period, the Group obtained new bank borrowings amounting to US$14,409,000 (unaudited) (six months ended 30 April 2016: US$9,697,000 (audited)).

Bank borrowings are secured by:

(i) Legal charges over freehold land and buildings of the Group;

(ii) Deposits with licensed banks of the Group;

(iii) Legal charge over a land held by a related company of the Group for the bank borrowings as at 30 April 2017 and 31 October 2016; and

(iv) Joint and several guarantees given by directors of the Group.

BUSINESS REVIEW

The Group designs and manufactures bus bodies and assemble buses. We divide our target markets into two segments, namely core markets which comprise Singapore and Malaysia, and developing markets which comprise all other markets to where we export our products including Australia, Hong Kong, People's Republic of China, Uzbekistan 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*). 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 90.1% of our revenue was derived from the sales of aluminium buses and bus bodies. The demand in aluminium bus and bus body will continue to experience a higher growth due to increasing demand for the use of materials that meets environmental standards. Aluminium will likely be the preferred material for buses, in particular electric buses, due to its lighter weight and the resulting better energy efficiency.

The Group delivered a total 113 units of buses (CBUs*), 59 units of CKDs* and 84 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

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

Sales of bus bodies segment

	Revenues from external customers For six months ended 30 April	
	2017	2016
	US$'000	*US$'000*
Malaysia (place of domicile)	**5,159**	238
Singapore	**10,025**	9,770
Hong Kong	**1,278**	2,533
Australia	**1,897**	821
People's Republic of China	**445**	194
Uzbekistan	**1,747**	632
New Zealand	**—**	961
Others	**—**	675
	20,551	15,824

The sales of bus bodies segment is our major source of income for our Group, with the sales of whole buses as the major product of our group contributing over 50% of revenue for both periods. The revenue generated from this segment amounted to approximately US$20.55 million during the Reporting Period, representing an increase of approximately 29.9% as compared with approximately US$15.82 million for the corresponding period in 2016. The increase in revenue in this segment was attributable to the significant increase in delivery of bus body kits to Malaysia and Uzbekistan and whole buses to Australia, which was offset by decrease in delivery of whole buses to Hong Kong and New Zealand during the Reporting Period as compared to the corresponding period in 2016.

However, approximately 28.9% of our revenue was derived from delivery of bus body kits (mainly in Malaysia and Uzbekistan) during the Reporting Period, compared to only approximately 8.2% in the corresponding period in 2016. Profit margin of delivery of bus body kits is not as high as whole buses, and therefore the increase in delivery of bus body kits contributed a slightly lower gross profit margin during the Reporting Period as compared to the corresponding period in 2016.

Sales of parts and provision of relevant services segment

	Revenues from external customers For six months ended 30 April	
	2017	2016
	US$'000	*US$'000*
Malaysia (place of domicile)	**190**	188
Singapore	**736**	461
Hong Kong	**160**	9
Australia	**53**	60
India	**86**	150
Others	**62**	62
	1,287	930

The sales of parts and provision of relevant services segment is our secondary source of income, in which its revenue mainly generated from providing after-sales service and sales of parts to our customers. The revenue generated from this segment amounted to approximately US$1.29 million during the Reporting Period representing an increase of approximately 38.7% as compared with approximately US$0.93 million for the corresponding period in 2016.

The increase in sales of parts and related services in our Singapore markets is consistent with our continuous supply of buses to Singapore, being our top market in our customers' portfolio. The sales from this segment was majorly contributing from the markets where we sold our whole buses to, in particularly Singapore, Australia and Hong Kong, since the demand for sales for parts and related services was correlated with the number of buses sold to these places cumulatively. These markets have a higher demand for spare parts replacement and after-sales service as more buses purchased from our group accumulatively are running on the road.

OUTLOOK

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.

Subsequent to the Reporting Period, on 11 May 2017, an event of "Handover and Signing Ceremony" was held at our head office in Senai, Malaysia.

Major highlights of the "Handover and Signing Ceremony" are as follows:

(1) Handing over the first prototype of electric school bus

On 11 May 2017, Gemilang Coachwork Sdn. Bhd. ("**Gemilang Coachwork**"), an indirect wholly owned subsidiary of the Company handed over the first prototype of electric school bus built with the specifications of United States of America (the "**U.S.**") for its market to GreenPower Motor Company Inc. ("**GreenPower**"), who develops electric powered vehicles for commercial markets.

(2) Signing of the "Letter of Cooperation"

On the same day, Gemilang Coachwork entered into the "Letter of Cooperation" in Senai, Malaysia, with GreenPower, which aims at establishing a collaboration agreement to identify business opportunities for future potential orders and technology know-how sharing in the U.S. and Canadian market.

Significance of the event

The Group and GreenPower target to combine their strengths to create quality and advanced electric powered buses to the U.S. and Canadian market.

The Board considers that this opportunity will enhance the position of the Group in the U.S. and Canadian market. In addition, it further indicates that the Group's position in the market is highly recognised, and that it is in line with the future development of the Group.

OPERATING RESULTS AND FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group recorded a revenue of approximately US$21.84 million, representing an increase of approximately 30.4% as compared with approximately US$16.75 million for the corresponding period in 2016. Such increase was attributable to the significant increase in delivery of bus body kits to Malaysia and Uzbekistan and whole buses to Australia, which was offset by decrease in delivery of whole buses to Hong Kong and New Zealand during the Reporting Period as compared to the corresponding period in 2016.

By product category

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

	For the six months ended 30 April			
	2017		2016	
	US$'000	*%*	*US$'000*	*%*
Bus				
CBU				
— City Bus	**12,893**	**59.0**	11,263	67.2
— Coach	**1,362**	**6.2**	3,202	19.1
Bus Body				
CKD				
— City Bus	**2,002**	**9.2**	127	0.8
— Coach	**–**	**–**	600	3.6
SKD				
— City Bus	**4,294**	**19.7**	632	3.8
Maintenance and aftersales service	**1,287**	**5.9**	930	5.5
TOTAL	**21,838**	**100.0**	16,754	100.0

By product material category

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

	For the six months ended 30 April			
	2017		2016	
	US$'000	***%***	*US$'000*	*%*
Aluminium	**19,688**	**90.1**	13,121	78.4
Steel	**863**	**4.0**	2,703	16.1
Subtotal	**20,551**	**94.1**	15,824	94.5
Maintenance and aftersales service	**1,287**	**5.9**	930	5.5
Total	**21,838**	**100.0**	16,754	100.0

By geographical location

The following table sets out information about the geographical location of the Group's revenue from external customers, The geographical location of the customers is based on the location at which the goods are delivered and services are provided.

	Revenues from external customers For six months ended 30 April	
	2017	2016
	US$'000	*US$'000*
Malaysia (place of domicile)	**5,349**	426
Singapore	**10,761**	10,231
Hong Kong	**1,438**	2,542
Australia	**1,950**	881
People's Republic of China	**454**	194
Uzbekistan	**1,747**	632
New Zealand	**—**	961
Others	**139**	887
	21,838	16,754

Gross profit and gross profit margin

Our gross profit was approximately US$5.15 million and US$4.13 million for six months ended 30 April 2017 and 2016, respectively. Our gross profit margin was approximately 23.6% and 24.7% for six months ended 30 April 2017 and 2016, respectively. The slight decrease of gross profit margin during the six months ended 30 April 2017 was due to a difference in product mix as compared to the six months ended 30 April 2016.

28.9% of our revenue was derived from delivery of bus body kits during the Reporting Period, compared to only 8.2% in the corresponding period in 2016. Profit margin of delivery of bus body kits is not as high as whole buses. Therefore, increase in proportion of delivery of bus body kits in the Reporting Period resulted in a slight reduction of our overall gross profit margin.

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$0.74 million or 88.1% from approximately US$0.84 million for six months period ended 30 April 2016 to approximately US$1.58 million in the Reporting Period. Such increase was driven mainly by the increase in freight cost and travelling and accommodation expense as a demand of growth in business operation, together with increase in commission payable for whole buses delivery to Australia, as well as bus body kits delivery to Malaysia.

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$1.05 million or 62.9% from approximately US$1.67 million for the six months ended 30 April 2016 to US$2.72 million during the Reporting Period.

Such increase was mainly attributed by a one-off share-based payment expenses of approximately US$0.38 million related to the share options granted during the Reporting Period, as compared with the fact that no share option was granted and the absence of share-based payment expenses during the corresponding period in 2016, as well as the increase in management team members, increase in salaries and the increase in listing-related expenses (including the increase in directors' fee, auditor's remuneration and compliance advisory fee incurred after the listing).

Income tax expenses

In the Reporting Period, the income tax expense decreased by approximately US$0.07 million or 12.7% as compared with the six months period ended 30 April 2016. The decrease was in line with the decrease in profit before taxation for the period ended 30 April 2017 as compared to the period ended 30 April 2016. The effective tax rate for the period ended 30 April 2016 and 2017 was 36.8% and 63.3%, respectively. A higher effective tax rate in the period ended 30 April 2017 was a result of a one-off non-deductible listing expenses, share option expense and other non-deductible listing related expenses (including the increase in directors' fee, auditor's remuneration and compliance advisory fee incurred only after the listing).

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Cash flow

For the six months ended 30 April 2017, the Group's working capital was financed by bank loans and proceeds from global offering.

Net current assets (liabilities)

The Group's net current assets amounted to approximately US$9.91 million as at 30 April 2017, as compared to approximately US$0.08 million of net current liabilities as at 31 October 2016. As at 30 April 2017, the Group's current ratio was approximately 1.50, as compared to approximately 1.00 as at 31 October 2016.

Cash and cash equivalent, bank deposits and bank loans

As at 30 April 2017, cash and cash equivalents of the Group was approximately US$2.96 million, as compared to approximately US$0.82 as at 31 October 2016. As at 30 April 2017, the Group had pledged bank deposit of US$1.93 million, as compared to US$1.99 million as at 31 October 2016. The bank borrowings of the Group decreased by approximately 31.6% to approximately US$7.58 million as at 30 April 2017 from approximately US$11.08 million as at 31 October 2016.

Gearing ratio

As at 30 April 2017, the gearing ratio (calculated by dividing obligation under finance leases, bank borrowings and bank overdrafts less cash and bank balance by total equity as at the end of the year/period) of the Group decreased to approximately 28.1% from approximately 139.0% as at 31 October 2016, primarily attributable to the decrease in bank borrowings and increase in total equity of the Group.

Capital expenditures

For the six months ended 30 April 2017, the Group had capital expenditure of approximately US$0.33 million, as compared to approximately US$1.45 million for the six months ended 30 April 2016. The expenditure was mainly related to the purchase of plants and machineries as part of expansion of the facility.

Significant investments

As at 30 April 2017, the Group did not have any significant investment.

Commitments

As at 30 April 2017, the Group did not have any material capital commitments. As at 30 April 2017, the Group's operating lease commitments amounted to approximately US$0.43 million, as compared with approximately US$0.42 million as at 31 October 2016.

Material investments or capital assets

As at 30 April 2017, the Group did not hold any material investment. There was no specific plan for material investments or capital assets as at 30 April 2017.

Material acquisitions or disposals

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

Foreign exchange risk

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

Charges on assets

As at 30 April 2017, pledged bank deposits of approximately US$1.93 million (31 October 2016: US$1.99 million) as disclosed in the condensed consolidated statement of financial position have been pledged to banks as security for banking facilities granted to the Group. The net book value of following assets were pledged to secure certain banking facilities granted to the Group:

	As at 30 April 2017 *US$'000*	As at 31 October 2016 *US$'000*
Freehold land	**1,700**	1,832
Buildings	**2,734**	2,890
Building in progress	**—**	1,520
	4,434	6,242

Contingent liabilities and guarantees

As at 30 April 2017, the Group had the following contingent liabilities:

(i) Performance bonds

	As at 30 April 2017 *US$'000*	As at 31 October 2016 *US$'000*
Performance bonds for contracts in favour of customers	**5,647**	5,970

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

(ii) Financial guarantees

The Group had the following contingent liabilities regarding the financial guarantees issued:

	As at 30 April 2017	As at 31 October 2016
	US$'000	*US$'000*
Guarantees given to banks in connection with facilities granted to:		
— Related companies		
GML Property Sdn. Bhd.	**—**	1,859
GML Technologies Sdn. Bhd.	**—**	1,362
	—	3,221

	As at 30 April 2017	As at 31 October 2016
	US$'000	*US$'000*
Utilised to the extent of the following amounts by:		
— Related companies		
GML Property Sdn. Bhd.	**—**	1,859
GML Technologies Sdn. Bhd.	**—**	1,362
	—	3,221

As at 31 October 2016, 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, these guarantees were not provided for in these financial statements as at 31 October 2016.

The guarantees given to banks in connection with the facilities granted above had been released during the Reporting Period.

INTERIM DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 April 2017.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 April 2017, the total number of full-time employees of the Group was approximately 229 (As at 31 October 2016: 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. During the Reporting Period, 5,000,000 of share options have been granted to directors and employees of the Group. Save for 172,000 share options which were lapsed, no share options have been exercised during the Reporting Period. There were 4,828,000 outstanding share options which were granted to directors and employees of the Group as at 30 April 2017.

USE OF PROCEEDS FROM GLOBAL OFFERING

The net proceeds of the global offering received by the Company were approximately HK$68.06 million (approximately US$8.77 million), after deduction of related listing expenses, of which HK$15 million of the total amount of fees and expenses in connection with the global offering has been paid from the proceeds of the Pre-IPO investments.

Use of net proceeds	**Planned amount as stated in the Prospectus**[(1)] *US$ million*	**Actual amount utilised up to 30 April 2017** *US$ million*	**Actual balance as at 30 April 2017** *US$ million*
Construction of the new facility in Senai, Malaysia	4.70	(3.19)	1.51
Upgrading and acquiring machines	0.89	(0.09)	0.80
Repayment of bank loans	2.39	(2.39)	—
Working capital	0.79	(0.79)	—
Total	8.77	(6.46)	2.31

(1) The planned amount as stated in the Prospectus was further adjusted as disclosed in the announcement of the Company dated 10 November 2016 after the offer price being fixed at HK$1.28.

Such utilization of the net proceeds was in accordance with the proposed allocations as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The unutilized portion of the net proceeds were deposited in our banks in Hong Kong and Malaysia and is intended to be utilized in the manner consistent with the proposed allocation as set forth in the Prospectus.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period commencing from the date of the listing of the Company on the Main Board of the Stock Exchange on 11 November 2016 (the "**Listing Date**") to 30 April 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Director's securities transactions. Specific enquires have been made to all Directors and the Directors have confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the period from the Listing Date to 30 April 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

It is the belief of the Board that good corporate governance plays a vital part in maintaining the success of the Company. The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the "**Shareholders**") and to enhance corporate value accountability. The Company has complied with all the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules throughout the period from the Listing Date to 30 April 2017. The Company will continue to review the current corporate governance structure from time to time and shall make necessary changes when appropriate and report to Shareholders accordingly.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited consolidated interim results and the interim report of the Company for the six months ended 30 April 2017 and agreed to the accounting principles and practices adopted by the Company.

PUBLICATION OF THE UNAUDITED INTERIM RESULTS AND INTERIM REPORT

In accordance with the requirements under the Listing Rules, the interim report containing all the Company's information set out in this announcement including the unaudited financial results for the six months ended 30 April 2017 will be posted on the Company's website ***(www.gml.com.my)*** and the website of the Stock Exchange ***(www.hkex.com.hk)*** in due course.

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

22 June 2017

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