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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 2021**

The board (the “**Board**”) of directors (the “**Directors**”) 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 2021 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2020 as follows:

### **CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the period ended 30 April 2021*

*(Expressed in United States Dollars)*

		<b>For the six months ended 30 April</b>	
		<b>2021</b>	<b>2020</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Note</i>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Revenue</b>	3	<b>18,581</b>	16,558
Cost of sales		<b>(15,500)</b>	(12,962)
<b>Gross profit</b>		<b>3,081</b>	3,596
Other revenue		<b>104</b>	43
Other net income		<b>272</b>	220
Selling and distribution expenses		<b>(205)</b>	(280)
Net allowance for impairment losses on trade receivable		<b>(694)</b>	(833)
General and administrative expenses		<b>(2,344)</b>	(1,962)

		<b>For the six months ended</b>	
		<b>30 April</b>	
		<b>2021</b>	2020
		<b>(Unaudited)</b>	(Unaudited)
	<i>Note</i>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Profit from operations</b>		<b>214</b>	784
Finance costs	4a	<u>(321)</u>	<u>(260)</u>
<b>(Loss)/profit before taxation</b>	4	<b>(107)</b>	524
Income tax	6	<u>(7)</u>	<u>(246)</u>
<b>(Loss)/profit for the period attributable to the equity owners of the Company</b>		<u><b>(114)</b></u>	<u>278</u>
<b>Other comprehensive income/(loss) for the period</b>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		<u><b>289</b></u>	<u>(739)</u>
<b>Total comprehensive income/(loss) for the period attributable to equity owners of the Company</b>		<u><b>175</b></u>	<u>(461)</u>
<b>(Loss)/earnings per share</b>			
– Basic (US cents per share)	7	<u><b>(0.05)</b></u>	<u>0.11</u>
– Diluted (US cents per share)	7	<u><b>(0.05)</b></u>	<u>0.11</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 April 2021*

*(Expressed in United States dollars)*

	<i>Note</i>	As at <b>30 April 2021</b> <b>(Unaudited)</b> <i>US\$'000</i>	As at 31 October 2020 <b>(Audited)</b> <i>US\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	8	7,509	7,591
Intangible assets		330	326
Interest in a joint venture		–	–
Deferred tax assets		427	220
		8,266	8,137
<b>Current assets</b>			
Inventories		17,461	19,276
Trade and other receivables	9	13,205	11,505
Tax recoverable		34	33
Pledged bank deposits	10	3,325	3,235
Cash and bank balances		353	1,929
		34,378	35,978
<b>Current liabilities</b>			
Trade and other payables	11	5,563	6,431
Contract liabilities		7,232	5,791
Bank borrowings	12	8,141	9,059
Bank overdrafts		2,923	2,561
Lease liabilities		214	305
		24,073	24,147
<b>Net current assets</b>		<b>10,305</b>	<b>11,831</b>
<b>Total assets less current liabilities</b>		<b>18,571</b>	<b>19,968</b>
<b>Non-current liability</b>			
Lease liabilities		96	48
		96	48
<b>Net assets</b>		<b>18,475</b>	<b>19,920</b>
<b>Capital and reserves</b>			
Share capital		324	324
Reserves		18,151	19,596
<b>Total equity attributable to owners of the Company</b>		<b>18,475</b>	<b>19,920</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 April 2021*

## 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 Group is principally engaged in assembling and selling of aluminium and steel buses and manufacturing bus bodies. As at 30 April 2021, the Directors consider that the Company is ultimately controlled by Mr. Phang Sun Wah and Mr. Pang Chong Yong (the “**Controlling shareholders**”).

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

### **Basis of preparation**

The condensed consolidated financial statements for the six months ended 30 April 2021 comprise the Company and its subsidiaries (together referred to as the “**Group**”) and the Group’s interest in a joint venture.

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 (the “**Listing Rules**”).

The condensed consolidated financial statements have been prepared on a going concern basis as at 30 April 2021, as the Directors 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 2020.

### **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 2021 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 31 October 2020.

### **Application of amendments**

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

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	COVID-19 Related Rent Concessions
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

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

### 3. REVENUE AND SEGMENT REPORTING

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

#### (a) Disaggregation of revenue

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

	<b>Six months ended 30 April</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Revenue from contracts with customers within the scope of HKFRS15		
Disaggregated by major products or services		
– Sales of bus bodies and kits	<b>15,948</b>	15,406
– Sales of parts and provision of relevant services	<b>2,633</b>	1,152
	<b>18,581</b>	16,558

Disaggregated by geographical location

	<b>Six months ended 30 April</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Malaysia (place of domicile)	<b>4,732</b>	155
Singapore	<b>8,274</b>	11,807
Hong Kong	<b>140</b>	966
Australia	<b>3,909</b>	220
United Arab Emirates	<b>–</b>	3,168
Others	<b>1,526</b>	242
	<b>18,581</b>	16,558

**(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, being the chief operating decision maker (the “**CODM**”), for the purpose of allocating resources to segments and assessing their performance.

For management purpose, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- Sales of bus bodies and kits – sales and fabrication of body work for buses and trading of body kits
- Sales of parts and provision of relevant services – dealing in spare parts for buses and provision of relevant services for buses

Segment profit represents the profit earned by each segment without allocation of head office and corporate expenses, other revenue, other net 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 2021**

	<b>Sales of bus bodies and kits (Unaudited) US\$'000</b>	<b>Sales of parts and provision of relevant services (Unaudited) US\$'000</b>	<b>Total (Unaudited) US\$'000</b>
<b>Revenue from external customers recognised at a point in time</b>	<u>15,948</u>	<u>2,633</u>	<u>18,581</u>
<b>Reportable segment revenue</b>	<u><u>15,948</u></u>	<u><u>2,633</u></u>	<u><u>18,581</u></u>
<b>Reportable segment profit/(loss)</b>	<u><u>(42)</u></u>	<u><u>242</u></u>	<u><u>200</u></u>
Unallocated head office and corporate expenses:			
– Other expenses			(362)
Other revenue			104
Other net income			272
Finance costs			<u>(321)</u>
Loss before income tax			<u><u>(107)</u></u>



For the six months period ended 30 April 2020

	Sales of bus bodies and kits (Unaudited) <i>US\$'000</i>	Sales of parts and provision of relevant services (Unaudited) <i>US\$'000</i>	Total (Unaudited) <i>US\$'000</i>
<b>Revenue from external customers recognised at a point in time</b>	15,406	1,152	16,558
<b>Reportable segment revenue</b>	<u>15,406</u>	<u>1,152</u>	<u>16,558</u>
<b>Reportable segment profit</b>	<u>793</u>	<u>38</u>	831
Unallocated head office and corporate expenses:			
– Other expenses			(310)
Other revenue			43
Other net income			220
Finance costs			<u>(260)</u>
Profit before income tax			<u>524</u>

#### 4. (LOSS)/PROFIT BEFORE TAXATION

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

##### (a) Finance costs

	<b>Six months ended 30 April</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
	<b><i>US\$'000</i></b>	<i>US\$'000</i>
Interest expenses on bank and other borrowings	<b>313</b>	243
Interest expenses on lease liabilities	<b>8</b>	17
Total interest expenses on financial liabilities not at fair value through profit or loss	<u><b>321</b></u>	<u>260</u>

(b) **Staff costs (including directors' emoluments)**

	<b>Six months ended 30 April</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Salaries, wages and other benefits	<b>1,731</b>	1,459
Contributions to defined contribution retirement plans	<b>179</b>	234
	<b>1,910</b>	1,693

(c) **Other items**

	<b>Six months ended 30 April</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Cost of inventories*	<b>15,500</b>	12,962
Depreciation charges		
– owned property, plant and equipment	<b>252</b>	227
– right-of-use assets	<b>164</b>	194
Net allowance for impairment losses on trade receivable	<b>694</b>	833
Net foreign exchange (gain)	<b>(272)</b>	(220)
Short-term lease expense	<b>60</b>	139

\* Cost of inventories included provision of slow-moving inventory of approximately US\$332,000 (2020: nil).

**5. DIVIDEND**

The final dividend and special dividend in respect of the year ended 31 October 2020 of HK\$0.01 per share and HK\$0.04 per share (31 October 2019: nil), totalling approximately US\$1,620,000 was paid in April 2021. The Directors do not recommend the payment of an interim dividend for the six months ended 30 April 2021 (2020: nil).

## 6. INCOME TAX

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

	<b>Six months ended 30 April</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Current tax</b>		
Charge for the period	<b>211</b>	283
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u><b>(204)</b></u>	<u>(37)</u>
Income tax expense	<u><b>7</b></u>	<u>246</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (ii) During the six months period ended 30 April 2021, GML Coach Technology Pte. Ltd. is subject to Singapore statutory income tax rate of 17% (2020: 17%).
- (iii) During the six months period ended 30 April 2021, Gemilang Coachwork Sdn. Bhd. is subject to Malaysia statutory income tax rate of 24% (2020: 24%).



## 8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

### Property, plant and equipment

During the six months period ended 30 April 2021, the Group acquired certain property, plant and equipment with a cost of approximately US\$89,000 (unaudited) (2020: approximately US\$46,000 (unaudited)). During the six months period ended 30 April 2021, the Group recorded a gain on disposal of property, plant and equipment of approximately US\$15,000 (unaudited) (2020: nil (unaudited)).

### Right-of-use assets

During the six months period ended 30 April 2021, the Group entered into a number of new leasing arrangements for properties leased for own use and motor vehicles of approximately US\$54,000 (unaudited) and approximately US\$84,000 (unaudited), respectively (2020: nil (unaudited)).

## 9. TRADE AND OTHER RECEIVABLES

	<b>At 30 April 2021 (Unaudited) US\$'000</b>	At 31 October 2020 (Audited) US\$'000
Trade receivables	<b>14,456</b>	14,751
Less: allowance for impairment losses	<b>(5,069)</b>	(4,308)
	<b>9,387</b>	10,443
Deposits, prepayments and other receivable	<b>3,818</b>	1,062
	<b>13,205</b>	11,505

All of the trade receivables and other receivable are expected to be recovered or recognised as expenses within one year.

### Ageing analysis of trade receivables

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.

	<b>At 30 April 2021 (Unaudited) US\$'000</b>	At 31 October 2020 (Audited) US\$'000
Within 30 days	<b>4,715</b>	5,728
31 to 90 days	<b>2,648</b>	1,860
Over 90 days	<b>2,024</b>	2,855
	<b>9,387</b>	10,443

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

**10. PLEDGED BANK DEPOSITS**

	<b>At 30 April 2021 (Unaudited) US\$'000</b>	At 31 October 2020 (Audited) US\$'000
Fixed deposits	<u><b>3,325</b></u>	<u>3,235</u>

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

**11. TRADE AND OTHER PAYABLES**

	<b>At 30 April 2021 (Unaudited) US\$'000</b>	At 31 October 2020 (Audited) US\$'000
Trade payables	<b>4,898</b>	5,216
Other payables and accruals	<u><b>665</b></u>	<u>1,215</u>
	<u><b>5,563</b></u>	<u>6,431</u>

**Ageing analysis of trade payables**

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

	<b>At 30 April 2021 (Unaudited) US\$'000</b>	At 31 October 2020 (Audited) US\$'000
Within 30 days	<b>3,333</b>	4,831
31 to 90 days	<b>728</b>	241
Over 90 days	<u><b>837</b></u>	<u>144</u>
	<u><b>4,898</b></u>	<u>5,216</u>

## **12. BANK BORROWINGS**

During the current interim period, the Group obtained new bank borrowings amounting to approximately US\$9,555,000 (unaudited) (31 October 2020: approximately US\$19,628,000 (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; and
- (iii) Execution of Deed of Assignment of benefits of contract proceeds and power of attorney by certain customers in respect of contract financed by the bank.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group designs and manufactures bus bodies and assembles 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 and Hong Kong. Our buses, comprising city buses and coaches in aluminium, mainly serve public and private bus transportation operators in our target markets. Our products mainly include single deck, double deck and articulated city buses, as well as single deck, double deck and high deck coaches.

We sell our products to public and private bus transportation operators, chassis principals and their purchasing agents, bus assemblers and manufacturers in two categories: (i) in the form of bus bodies (SKDs\* and CKDs\*) for their local assembly and onward sales; and (ii) in the form of whole buses (CBUs\*). Apart from manufacturing bus bodies and assembling buses, we also provide after-sales services in maintenance of bus bodies and sales of related spare parts.

During the Reporting Period, all of our revenue was derived from the sales of aluminium buses and bus bodies. The demand in aluminium bus and bus body will continue to experience a higher growth due to increasing demand for the use of materials that meets environmental standards. Aluminium will likely be the preferred material for buses, in particular electric buses, due to its lighter weight and better energy efficiency.

The Group delivered a total of 99 buses (CBUs\*) and 85 units of CKDs\* to our customers during the Reporting Period.

*\*Notes:*

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

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

SKD: semi knocked down parts, where only constructed side, front, rear and extended chassis frames, and roof are provided and the frames and roof are not joined to each other



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

### Sales of bus bodies and kits segment

	<b>Revenue from external customers For the six months ended 30 April</b>	
	<b>2021</b>	2020
	<i>US\$'000</i>	<i>US\$'000</i>
Malaysia (place of domicile)	<b>4,192</b>	122
Singapore	<b>6,523</b>	10,989
Hong Kong	<b>84</b>	924
Australia	<b>3,867</b>	–
United Arab Emirates	–	3,154
Others	<b>1,282</b>	217
	<b>15,948</b>	15,406

The sales of bus bodies and kits segment is our major source of income for our Group, with the sales of whole buses as the major product contributing over 85.8% of revenue for the Reporting Period. The revenue generated from this segment amounted to approximately US\$15.95 million during the Reporting Period, representing an increase of approximately 3.5% compared to the corresponding period in 2020 of approximately US\$15.41 million. The increase in revenue in this segment was attributable to the increase in delivery of whole buses to Australia and bus bodies to Malaysia, which off-set the decrease in delivery of whole buses to Singapore and United Arab Emirates. During the Reporting Period, the Group had delivered 47 units of whole buses to customer in Australia and 29 units of CKDs to customer in Malaysia, while the delivery of whole buses to customers in Singapore decreased to 46 units as compared to 85 units to the corresponding period in 2020.

## Sales of parts and provision of relevant services segment

	Revenue from external customers For the six months ended 30 April	
	2021 US\$'000	2020 US\$'000
Malaysia (place of domicile)	540	33
Singapore	1,751	818
Hong Kong	56	42
Australia	42	220
United Arab Emirates	–	14
Others	244	25
	<u>2,633</u>	<u>1,152</u>

The sales of parts and provision of relevant services segment is our secondary source of income, in which its revenue was mainly generated from providing after-sales services and sales of parts to our customers. The revenue generated from this segment amounted to approximately US\$2.63 million during the Reporting Period representing an increase of approximately 128.6% as compared with approximately US\$1.15 million for the corresponding period in 2020.

The increase in sales of parts and related services in our Singapore market is consistent with our supply of buses to Singapore. The sales from this segment was mainly contributed from the markets where we sold our whole buses to, in particular Singapore, as the demand for sales of parts and related services was correlated with the number of buses sold to these places cumulatively. These markets will continue to have higher demand for spare parts replacement and after-sales services as more buses purchased from our Group are running on the road.

### OUTLOOK

The Group has been able to maintain our market position in Asia, with the continuous support from our customers in the region. The Group believes in maintaining the top-quality products is crucial to be the leading bus manufacturing solution provider.

The novel coronavirus (“**COVID-19**”) pandemic continues to adversely affect the recovery of world economy, especially the recent new wave of epidemic outbreak in Southeast Asia countries, which directly affected our Group’s operations. Under the complex and challenging environment, the Group continues to operate our major subsidiary in Malaysia while cautiously implemented the Standard Operating Procedures (“**SOP**”) introduced by the Malaysia government.

During the Reporting Period, apart from carrying on the postponed projects awarded in 2019 and 2020, the Group continues to explore new business opportunities, especially at the electric vehicle (EV) market. With our experience in EV buses build, our Group is looking forward to participating in certain EV projects and tenders, including the Iskandar Malaysia Bus Rapid Transit project, for entering the new era of the market and contributing to the society. We believe the EV market and technology will continue to develop with the rising awareness of social and environmental protection. Our Group will continue to innovate and provide high quality products to our customers, seek good opportunity to expand our production capacity and knowhow and prepare for the foreseeable recovery from COVID-19 pandemic.

## OPERATING RESULTS AND FINANCIAL REVIEW

### Revenue

During the Reporting Period, the Group recorded a revenue of approximately US\$18.58 million, representing an increase of approximately 12.2% as compared with approximately US\$16.56 million for the corresponding period in 2020. Such increase was mainly attributable to the increase in demand of maintenance and after-sales services as compared to the corresponding period in 2020.

### *By product category*

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

	For the six months ended 30 April			
	2021		2020	
	<i>US\$'000</i>	<i>%</i>	<i>US\$'000</i>	<i>%</i>
<b>Bus</b>				
<b>CBU</b>				
– City Bus	<b>10,923</b>	<b>58.8</b>	13,382	80.8
– Coach	<b>240</b>	<b>1.3</b>	1,807	10.9
<b>Bus Body</b>				
<b>CKD</b>				
– City Bus	<b>4,785</b>	<b>25.7</b>	217	1.3
<b>Maintenance and after-sales services</b>	<b>2,633</b>	<b>14.2</b>	1,152	7.0
<b>TOTAL</b>	<b>18,581</b>	<b>100</b>	16,558	100

***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.

	<b>Revenues from external customers For the six months ended 30 April</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>US\$'000</i></b>	<b><i>US\$'000</i></b>
Malaysia (place of domicile)	<b>4,732</b>	155
Singapore	<b>8,274</b>	11,807
Hong Kong	<b>140</b>	966
Australia	<b>3,909</b>	220
United Arab Emirates	<b>–</b>	3,168
Others	<b>1,526</b>	242
	<b>18,581</b>	16,558

### **Gross profit and gross profit margin**

Our gross profit was approximately US\$3.08 million and US\$3.60 million for the six months ended 30 April 2021 and 2020, respectively. Our gross profit margin was approximately 16.6% and 21.7% for the six months ended 30 April 2021 and 2020, respectively. The decrease of gross profit margin during the six months ended 30 April 2021 was mainly due to provision of slow-moving inventory of approximately US\$0.33 million and increase in material costs in the Reporting Period.

### **Selling and distribution expenses**

Our selling and distribution expenses primarily include advertising and promotion expenses, logistic expenses, commission expenses as well as travelling expenses for sales personnel.

Our selling and distribution expenses decreased by approximately US\$0.08 million or 28.6% from approximately US\$0.28 million for six months period ended 30 April 2020 to approximately US\$0.20 million in the Reporting Period. Such decrease was driven mainly by the reduction in business travelling expenses caused by the restraints to prevent the spread of COVID-19 during 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\$0.38 million or 19.4% from approximately US\$1.96 million for the six months ended 30 April 2020 to US\$2.34 million during the Reporting Period. Such increase was attributed by the increase in staff costs due to increase in payment of short term employee benefits and increase in legal and professional expenses incurred during the Reporting Period.

### **Income tax expenses**

During the Reporting Period, the income tax expense of approximately US\$0.07 million was recognised as compared with approximately US\$0.25 million for the six months period ended 30 April 2020. The decrease was mainly attributable by the increase in temporary tax difference arising from expected credit loss provision and inventories provision recognised during the Reporting Period.

## **LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

### **Cash flow**

For the six months ended 30 April 2021, the Group's working capital was financed by bank loans.

### **Net current assets**

The Group's net current assets amounted to approximately US\$10.31 million as at 30 April 2021, as compared to approximately US\$11.83 million as at 31 October 2020. As at 30 April 2021, the Group's current ratio was approximately 1.43, as compared to approximately 1.49 as at 31 October 2020.

### **Cash and cash equivalents, bank deposits and bank loans**

As at 30 April 2021, cash and cash equivalents of the Group was approximately US\$0.35 million, as compared to approximately US\$1.93 million as at 31 October 2020. As at 30 April 2021, the Group had pledged bank deposits of approximately US\$3.33 million, as compared to approximately US\$3.24 million as at 31 October 2020. The bank borrowings and bank overdrafts of the Group decreased by approximately 4.8% to approximately US\$11.06 million as at 30 April 2021 from approximately US\$11.62 million as at 31 October 2020.

### **Gearing ratio**

As at 30 April 2021, the gearing ratio (calculated by dividing leases liabilities, bank borrowings and bank overdrafts less cash and bank balance by total equity as at the end of the period/year) of the Group increased to approximately 59.7% from approximately 50.4% as at 31 October 2020, primarily attributable to the decrease in reserves of the Group.

### **Capital expenditures**

For the six months ended 30 April 2021, the Group had capital expenditure of approximately US\$0.23 million, as compared to approximately US\$0.05 million for the six months ended 30 April 2020. The capital expenditure incurred during the Reporting Period mainly represented cash paid and lease liabilities recognised for acquisition of property, plant and equipment and rights-of-use assets of motor vehicles and other properties leased for own use.

### **Significant investments**

As at 30 April 2021, the Group did not have any significant investments.

## Commitments

As at 30 April 2021, the Group had capital commitments in relation to capital contribution of approximately US\$232,000 (equivalent to RMB1,500,000) (31 October 2020: approximately US\$224,000) to the joint venture company, 上海北鋁汽車科技有公司 (“上海北鋁”). The amount of registered capital of 上海北鋁 shall be RMB3,000,000 which the Group and the venture partner, 上海北斗新能源有限公司, shall contribute the capital equally pursuant to the terms of the joint venture agreement. As at 30 April 2021, no capital has been contributed by the Group.

## Material investments or capital assets

As at 30 April 2021, the Group did not hold any material investment. There was no specific plan for material investments or capital assets as at 30 April 2021.

## Material acquisitions or disposals

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

## Foreign exchange risk

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

## Charges on assets

As at 30 April 2021, pledged bank deposits of approximately US\$3.33 million (31 October 2020: approximately US\$3.24 million) as disclosed in the condensed consolidated statement of financial position have been pledged to banks as security for banking facilities granted to the Group. The net book value of the following assets were pledged to secure certain banking facilities granted to the Group:

	<b>As at 30 April 2021 US\$'000</b>	<b>As at 31 October 2020 US\$'000</b>
Freehold land	<b>1,803</b>	1,853
Buildings	<b>4,221</b>	4,256
	<b>6,024</b>	6,109

## Contingent liabilities

As at 30 April 2021, the Group had the following contingent liabilities:

### Performance bonds

	<b>As at 30 April 2021 US\$'000</b>	As at 31 October 2020 US\$'000
Performance bonds for contracts in favour of customers	<b>4,730</b>	<b>5,830</b>

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

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 April 2021 (2020: Nil).

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 April 2021, the total number of full-time employees of the Group was approximately 326 (31 October 2020: 332). The Group recruits, employs, remunerates and promotes its employees based on their qualifications, experience, skills, performance and contributions. Remuneration is offered with reference to market rates. Salary and/or promotion review is conducted upon performance appraisal by management on a regular basis. Discretionary year-end bonus and share options, if applicable, are granted to eligible employees, in accordance with the Group's performance and individual's contribution. Ample in-house orientation and on-the-job training are arranged for the employees all year around. Employees are always encouraged to attend job-related seminars, courses and programs organised by professional or educational institutions in Malaysia, Hong Kong or other jurisdictions.



## LITIGATION

In April 2018, Gemilang Coachwork Sdn. Bhd. (“**Gemilang Coachwork**”), a wholly-owned subsidiary of the Company, issued a writ against a Malaysian customer (“**Defendant 1**”) and its holding company (“**Defendant 2**”), (collectively, the “**Defendants**”) in the High Court of Malaya at Johor Bahru, requiring, among other things, the Defendants to repay the sum of approximately MYR10,884,624 for the goods supplied and delivered by Gemilang Coachwork. In February 2016 and August 2016, Gemilang Coachwork entered into two supplier letters of acceptance with the said customer, pursuant to which Gemilang Coachwork had supplied and delivered an aggregate of one hundred and fifty (150) units of eco-range aluminium superstructure body kits and supply and assemble one (1) unit of bus prototype to the said customer. As at the date on which Gemilang Coachwork issued the writ, despite effort paid to recover the debt, the outstanding amount of approximately MYR10,884,624 (equivalent to approximately US\$2.72 million) had not been paid to Gemilang Coachwork’s account.

In August 2018, the case was heard in the High Court of Malaya at Johor Bahru and Gemilang Coachwork successfully obtained a summary judgment against the Defendants. Subsequently, a winding up petition dated 30 October 2018 was filed in the High Court of Malaya and has been served on the Defendants on 15 November 2018. The winding up petition served on the Defendant 1 was subsequently dismissed on 2 January 2019 as Defendant 1 was already wound up in July 2018 by a third party. Defendant 2 had filed an originating summons for judicial management in the High Court of Malaya at Shah Alam. The hearing of the said originating summons was held on 24 January 2019 and the order for judicial management was subsequently granted. Defendant 2 has applied for second extension on the judicial management in the High Court of Malaya at Shah Alam in May 2019 for 2 months and the extension was approved. After that, Defendant 2 has applied for extension of judicial management order in the High Court of Malaya at Shah Alam on 13 August 2019 but the application was not allowed by the High Court on 10 December 2019. Eventually, the High Court of Malaya ordered Defendant 2 be wound up under the provisions of the Companies Act 2016 on 30 January 2020. The Company was informed by its legal adviser that the outstanding amount will be paid upon when the receiver has exercised the right and duty according to the winding up order and the debt will be repaid according to the debt security. As at the date of this announcement, the distribution results are not completed.

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

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

## USE OF PROCEEDS 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 <sup>(1)</sup> <i>US\$ million</i>	Actual amount utilised up to 30 April 2021 <i>US\$ million</i>	Actual balance as at 30 April 2021 <i>US\$ million</i>
Construction of the new facility in Senai, Malaysia	4.70	(3.70)	1.00
Upgrading and acquiring machines	0.89	(0.63)	0.26
Repayment of bank loans	2.39	(2.39)	–
Working capital	0.79	(0.79)	–
	<hr/>	<hr/>	<hr/>
Total	8.77	(7.51)	1.26
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

Such utilization of the net proceeds was in accordance with the proposed allocations as set out in the section headed “Future Plans and Use of Proceeds” in the Company’s prospectus dated 31 October 2016 (the “**Prospectus**”). The unutilized portion of the net proceeds were deposited in our banks in Hong Kong and Malaysia and is intended to be utilized in the manner consistent with the proposed allocation as set forth in the Prospectus.

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

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

It is the belief of the Board that good corporate governance plays a vital part in maintaining the success of the Company. The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the "**Shareholders**") and to enhance corporate value accountability. The Company has complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules save and except for code provision A.2.1 of the CG Code throughout the Reporting Period.

Pursuant to the code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Accordingly, the appointment of Mr. Pang Chong Yong, being the chief executive officer, as the chairman deviates from the relevant Code Provision.

The Board believes that resting the roles of both the chairman and the chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board also considers that this arrangement will not impair the balance of power and authority as a majority of the Board members are represented by the independent non-executive Directors, who offer different independent perspectives. In addition, the Board meets regularly to consider major matters affecting the operations of the Group and all Directors are properly and promptly briefed on such matters with adequate, complete and reliable information. Therefore, the Board is of the view that the balance of power and safeguards in place are adequate. The Board would review and monitor the situation on a regular basis, and it would ensure that the present structure would not impair the balance of power in the Group.

The Company will continue to review the current corporate governance structure from time to time and shall make necessary changes as and when appropriate and report to the Shareholders accordingly.

## **AUDIT COMMITTEE**

The Company established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rule 3.21 of the Listing Rules. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process, risk management and internal control system of the Group, oversee the audit process and select external auditors and assess their independence and qualifications. The Audit Committee consists of three independent non-executive Directors with Mr. Huan Yean San as the chairman. Other members are Mr. Andrew Ling Yew Chung and Ms. Kwok Yuen Shan Rosetta.

The Audit Committee has reviewed the unaudited consolidated interim results and the interim report of the Company for the six months ended 30 April 2021 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 2021 will be posted on the Company’s website ([www.gml.com.my](http://www.gml.com.my)) and the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) in due course.

By order of the Board  
**Gemilang International Limited**  
**Pang Chong Yong**  
*Chairman, Chief Executive Officer and  
Executive Director*

25 June 2021

*As at the date of this announcement, the Board comprises (i) Mr. Pang Chong Yong (Chairman), Mr. Pang Jun Jie and Mr. Yik Wai Peng as executive directors of the Company; and (ii) Ms. Lee Kit Ying, Ms. Kwok Yuen Shan Rosetta, Mr. Huan Yean San and Mr. Andrew Ling Yew Chung as independent non-executive directors of the Company.*