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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 2018

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 2018 (the "**Reporting Period**") together with the comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 30 April 2018
(Expressed in United States Dollars)

		For the six months ended 30 April	
		2018	2017
		(Unaudited)	(Unaudited)
	Note	***US$'000***	*US$'000*
Revenue	3	**14,107**	21,838
Cost of sales		**(10,859)**	(16,692)
Gross profit		**3,248**	5,146
Other revenue		**91**	29
Other net income		**11**	250
Selling and distribution expenses		**(3,158)**	(1,578)
General and administrative expenses		**(2,081)**	(2,717)
(Loss)/profit from operations		**(1,889)**	1,130

	Note	For the six months ended 30 April 2018 (Unaudited) US$'000	2017 (Unaudited) US$'000
Finance costs	4a	**(279)**	(304)
Share of (loss) of an associate		**(113)**	(98)
(Loss)/profit before taxation	4	**(2,281)**	728
Income tax	6	**(16)**	(461)
(Loss)/profit for the period attributable to the equity owners of the Company		**(2,297)**	267
Other comprehensive income/(loss) for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of overseas subsidiaries		**1,379**	(106)
Total comprehensive (loss)/income for the period attributable to equity owners of the Company		**(918)**	161
(Loss)/earnings per share			
— Basic (US cents per share)	7	**(0.92)**	0.11
— Diluted (US cents per share)	7	**(0.92)**	0.11

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 April 2018
(Expressed in United States dollars)

	Note	**As at 30 April 2018 (Unaudited) *US$'000***	As at 31 October 2017 (Audited) *US$'000*
Non-current assets			
Property, plant and equipment	8	**8,400**	7,984
Intangible asset		**344**	281
Interest in an associate	9	**532**	645
		9,276	8,910
Current assets			
Inventories		**21,510**	13,949
Trade and other receivables	10	**9,610**	16,811
Tax recoverable		**771**	221
Pledged bank deposits	11	**2,010**	2,039
Cash and bank balances		**2,651**	2,781
		36,552	35,801
Current liabilities			
Trade and other payables	12	**17,726**	15,502
Bank borrowings	13	**7,362**	7,259
Bank overdrafts		**3,104**	2,619
Obligations under finance leases		**78**	71
Provision for taxation		**86**	95
		28,356	25,546
Net current assets		**8,196**	10,255
Total assets less current liabilities		**17,472**	19,165

	As at 30 April 2018 (Unaudited) *US$'000*	As at 31 October 2017 (Audited) *US$'000*
Non-current liabilities		
Obligations under finance leases	**117**	145
Deferred tax liabilities	**344**	319
	461	464
Net assets	**17,011**	18,701
Capital and reserves		
Share capital	**323**	322
Reserves	**16,688**	18,379
Total equity attributable to owners of the Company	**17,011**	18,701

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 April 2018

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 2018, 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 2018 comprises the Company and its subsidiaries (together referred to as the "**Group**") 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 2018, 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 2017.

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 2018 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 31 October 2017.

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:

HKAS 7 (Amendments)	*Disclosure Initiative*
HKAS 12 (Amendments)	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12	*As part of the Annual Improvements to HKFRSs 2014-2016 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 sales of bus bodies, trading of body kits and spare parts for buses and the 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	
	2018	2017
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Revenue		
Sales of bus bodies and kits	**12,504**	20,551
Sales of parts and provision of relevant services	**1,603**	1,287
	14,107	21,838

(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.

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/(loss) represents the profit/(loss) earned by each segment without allocation of head office and corporate expenses, other revenue, other net income, share of loss of an associate 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 2018

	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	**12,504**	**1,603**	**14,107**
Reportable segment revenue	**12,504**	**1,603**	**14,107**
Reportable segment (loss)/profit	**(1,858)**	**278**	**(1,580)**
Unallocated head office and corporate expenses:			
— Other expenses			**(411)**
Other revenue			**91**
Other net income			**11**
Finance costs			**(279)**
Share of loss of an associate			**(113)**
Loss before income tax			**(2,281)**

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:			
— Other expenses			(1,023)
Other revenue			29
Other net income			250
Finance costs			(304)
Share of loss of an associate			(98)
Profit before income tax			728

4. (LOSS)/PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 April	
	2018 (Unaudited) *US$'000*	2017 (Unaudited) *US$'000*
Interest on bank and other borrowings	**274**	298
Finance charge on obligations under finance leases	**5**	6
Total interest expenses on financial liabilities not at fair value through profit or loss	**279**	304

(b) Staff costs (including directors' emoluments)

	Six months ended 30 April	
	2018	2017
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Salaries, wages and other benefits	**1,299**	1,145
Contributions to defined contribution retirement plans	**153**	120
	1,452	1,265

(c) Other items

	Six months ended 30 April	
	2018	2017
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Cost of inventories	**10,859**	16,692
Depreciation	**275**	200
Net foreign exchange (gain)	**(11)**	(248)
(Gain) on disposal of property, plant and equipment	**(4)**	(1)
Operating lease charges in respect of		
— properties	**151**	103
— equipment	**4**	2

5. DIVIDENDS

A final dividend in respect of the year ended 31 October 2017 of HK$0.03 (2016: nil) per share, totalling approximately US$967,000 (2016: nil) was paid in April 2018. The Directors do not recommend the payment of an interim dividend for the six months ended 30 April 2018 (2017: nil).

6. INCOME TAX

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

	Six months ended 30 April	
	2018	2017
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Current tax		
Charge for the period	**16**	386
Deferred tax		
Origination and reversal of temporary differences	**—**	75
Income tax expense	**16**	461

7. (LOSS)/EARNINGS PER SHARE

	Six months ended 30 April	
	2018	2017
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
(Loss)/earnings		
(Loss)/profit for the period attributable to owners of the Company for the purpose of basic and diluted per share	**(2,297)**	267

Number of shares	Six months ended 30 April	
	2018	2017
	(Unaudited)	(Unaudited)
Issued ordinary shares at 1 November	**250,144,000**	187,500,000
Effect of shares issued by global offering	**—**	59,046,961
Effect of shares issued by shares options	**426,022**	—
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**250,570,022**	246,546,961
Effect of dilutive potential ordinary shares:		
Share options	**1,356,030**	85,574
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**251,926,052**	246,632,535

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss for the period of US$2,297,000 (2017: profit of US$267,000) and the weighted average of 250,570,022 ordinary shares (2017: 246,546,961 shares).

Diluted earnings per share

For the six months ended 30 April 2018, diluted loss per share equal basic loss per share as the exercise of the outstanding share options would be anti-dilutive. For the six months period ended 30 April 2017, 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.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months period ended 30 April 2018 and 2017, the Group disposed of certain tools and equipment, and motor vehicles respectively with an aggregate carrying amount of both US$nil for proceeds of US$4,000 and US$1,000 respectively, resulting in gain on disposal of US$4,000 and US$1,000 respectively. In addition, the Group paid US$74,000 (unaudited) (six-month period ended 30 April 2017: US$331,000 (unaudited)) for the acquisition of property, plant and equipment to expand its operations.

9. INTEREST IN AN ASSOCIATE

	At 30 April 2018 (Unaudited) *US$'000*	At 31 October 2017 (Audited) *US$'000*
Investment costs	**—**	—
Share of post-acquisition profits and other comprehensive income, net of dividends received	**367**	480
Goodwill	**165**	165
	532	645

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 2018 (Unaudited) *US$'000*	At 31 October 2017 (Audited) *US$'000*
Trade receivables	**6,014**	15,295
Less: allowance for doubtful debts	**(421)**	(398)
	5,593	14,897
Other receivable	**3,083**	1,196
Advances to suppliers	**590**	341
Deposits	**72**	69
Prepayments	**272**	308
	4,017	1,914
	9,610	16,811

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 2018	At 31 October 2017
	(Unaudited)	(Audited)
	US$'000	*US$'000*
Within 30 days	**1,068**	1,439
31 to 90 days	**754**	9,157
Over 90 days	**3,771**	4,301
	5,593	14,897

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

11. PLEDGED BANK DEPOSITS

	At 30 April 2018	At 31 October 2017
	(Unaudited)	(Audited)
	US$'000	*US$'000*
Fixed deposits	**2,010**	2,039

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 2018	At 31 October 2017
	(Unaudited)	(Audited)
	US$'000	*US$'000*
Trade payables	**8,893**	9,306
Other payables and accruals	**2,428**	5,737
Advance deposits from customers	**6,405**	459
	17,726	15,502

Ageing analysis of trade payables

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

	At 30 April 2018 (Unaudited) ***US$'000***	At 31 October 2017 (Audited) *US$'000*
Within 30 days	**2,635**	3,011
31 to 90 days	**3,718**	3,290
Over 90 days	**2,540**	3,005
	8,893	9,306

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$9,747,000 (unaudited) (31 October 2017: US$27,418,000 (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) Legal charge over a land held by a related company of the Group for the bank borrowings as at 30 April 2018 and 31 October 2017.

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 and Uzbekistan. 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) 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 66 buses (CBUs*), 5 units of CKDs* and 66 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

	Revenue from external customers For the six months ended 30 April	
	2018	2017
	US$'000	*US$'000*
Malaysia (place of domicile)	**58**	5,159
Singapore	**903**	10,025
Hong Kong	**2,220**	1,278
Australia	**8,021**	1,897
People's Republic of China	**103**	445
Uzbekistan	**—**	1,747
Indonesia	**1,199**	—
	12,504	20,551

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 88.6% of revenue for both periods. The revenue generated from this segment amounted to approximately US$12.50 million during the Reporting Period, representing a decrease of approximately 39.2% as compared with approximately US$20.55 million for the corresponding period in 2017. The decrease in revenue in this segment was attributable to the significant decrease in delivery of bus body kits to Malaysia and whole buses to Singapore, which was offset by an increase in delivery of whole buses to Australia during the Reporting Period as compared to the corresponding period in 2017. During the Reporting Period, the Group had delivered 66 units of bus bodies kits to a customer in Indonesia to prepare for the upcoming 2018 Asian Games.

Sales of parts and provision of relevant services segment

	Revenue from external customers For the six months ended 30 April	
	2018	2017
	US$'000	*US$'000*
Malaysia (place of domicile)	**90**	190
Singapore	**844**	736
Hong Kong	**23**	160
Australia	**279**	53
India	**98**	86
People's Republic of China	**154**	9
Indonesia	**97**	—
Others	**18**	53
	1,603	1,287

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$1.60 million during the Reporting Period representing an increase of approximately 24.0% as compared with approximately US$1.29 million for the corresponding period in 2017.

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

The sales from this segment was mainly contributed from the markets where we sold our whole buses to, in particularly Singapore and Australia, 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 service as more buses purchased from our group 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.

Despite the fact that the Group recorded a decline in revenue for the six months ended 30 April 2018 as compared to the corresponding period in 2017, the Group is expected to deliver a number of city buses and bus body kits to the Singapore market and Uzbekistan market, respectively. As such, the Board still remains confident in the financial performance of the Group for the financial year ending 31 October 2018.

OPERATING RESULTS AND FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group recorded a revenue of approximately US$14.11 million, representing an decrease of approximately 35.4% as compared with approximately US$21.84 million for the corresponding period in 2017. Such decrease was attributable to the significant decrease in delivery of bus body kits to Malaysia and whole buses to Singapore, which was offset by an increase in delivery of whole buses to Australia during the Reporting Period as compared to the corresponding period in 2017.

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			
	2018		2017	
	US$'000	***%***	*US$'000*	*%*
Bus				
CBU				
— City Bus	**11,078**	**78.5**	12,893	59.0
— Coach	**124**	**0.9**	1,362	6.2
Bus Body				
CKD				
— City Bus	**103**	**0.7**	2,002	9.2
SKD				
— City Bus	**1,199**	**8.5**	4,294	19.7
Maintenance and aftersales service	**1,603**	**11.4**	1,287	5.9
TOTAL	**14,107**	**100.0**	21,838	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			
	2018		2017	
	US$'000	***%***	*US$'000*	*%*
Aluminium	**12,504**	**88.6**	19,688	90.1
Steel	**—**	**—**	863	4.0
Subtotal	**12,504**	**88.6**	20,551	94.1
Maintenance and aftersales service	**1,603**	**11.4**	1,287	5.9
Total	**14,107**	**100.0**	21,838	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 the six months ended 30 April	
	2018	2017
	US$'000	*US$'000*
Malaysia (place of domicile)	**148**	5,349
Singapore	**1,747**	10,761
Hong Kong	**2,243**	1,438
Australia	**8,300**	1,950
People's Republic of China	**257**	454
Uzbekistan	**—**	1,747
Indonesia	**1,296**	—
Others	**116**	139
	14,107	21,838

Gross profit and gross profit margin

Our gross profit was approximately US$3.25 million and US$5.15 million for six months ended 30 April 2018 and 2017, respectively. Our gross profit margin was approximately 23.0% and 23.6% for six months ended 30 April 2018 and 2017, respectively. The slight decrease of gross profit margin during the six months ended 30 April 2018 was due to the appreciation of Malaysian Ringgit against foreign currencies compared to the six months ended 30 April 2017, since the majority of our sales invoices were denominated in foreign currencies such as Australian Dollars and United States Dollars during 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 increased by approximately US$1.58 million or 100.0% from approximately US$1.58 million for six months period ended 30 April 2017 to approximately US$3.16 million in the Reporting Period. Such increase was driven mainly by the increase in commission payable for whole buses delivery to Australia which is in line with the increase in number of whole buses delivered to Australia 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 decreased by approximately US$0.64 million or 23.5% from approximately US$2.72 million for the six months ended 30 April 2017 to US$2.08 million during the Reporting Period.

Such decrease was mainly attributed by a one-off share-based payment expenses of approximately US$0.38 million relating to the share options granted and listing expense of approximately US$0.56 million in relation to the global offering during the six months ended 30 April 2017, as compared with the fact that no share option was granted and the absence of both share-based payment expenses and listing expense in relation to the global offering during the Reporting Period.

Income tax expenses

In the Reporting Period, the income tax expense decreased by approximately US$0.45 million or 96.5% as compared with the six months period ended 30 April 2017. The decrease was in line with the decrease in profit/loss before taxation for the period ended 30 April 2018 as compared to the period ended 30 April 2017. The effective tax rate for the period ended 30 April 2017 and 2018 was 63.3% and -0.7%, respectively. A higher effective tax rate in the period ended 30 April 2017 was a result of a one-off non-deductible listing expenses as well as share option expense.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Cash flow

For the six months ended 30 April 2018, the Group's working capital was financed by bank loans.

Net current assets

The Group's net current assets amounted to approximately US$8.20 million as at 30 April 2018, as compared to approximately US$10.26 million as at 31 October 2017. As at 30 April 2018, the Group's current ratio was approximately 1.29, as compared to approximately 1.40 as at 31 October 2017.

Cash and cash equivalent, bank deposits and bank loans

As at 30 April 2018, cash and cash equivalents of the Group was approximately negative US$0.45 million, as compared to approximately US$0.16 million as at 31 October 2017. As at 30 April 2018, the Group had pledged bank deposit of US$2.01 million, as compared to US$2.04 million as at 31 October 2017. The bank borrowings of the Group increased slightly by approximately 1.4% to approximately US$7.36 million as at 30 April 2018 from approximately US$7.26 million as at 31 October 2017.

Gearing ratio

As at 30 April 2018, the gearing ratio (calculated by dividing obligations 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 increased to approximately 47.1% from approximately 39.1% as at 31 October 2017, primarily attributable to the increase in bank borrowings and decrease in total equity of the Group.

Capital expenditures

For the six months ended 30 April 2018, the Group had capital expenditure of approximately US$0.07 million, as compared to approximately US$0.33 million for the six months ended 30 April 2017. 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 2018, the Group did not have any significant investments.

Commitments

As at 30 April 2018, the Group's capital commitments amounted to approximately US$316,000. As at 30 April 2018, the Group's operating lease commitments amounted to approximately US$0.19 million, as compared with approximately US$0.32 million as at 31 October 2017.

Material investments or capital assets

As at 30 April 2018, the Group did not hold any material investment. There was no specific plan for material investments or capital assets as at 30 April 2018.

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 2018, pledged bank deposits of approximately US$2.01 million (31 October 2017: US$2.04 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:

	As at 30 April 2018	**As at 31 October 2017**
	US$'000	*US$'000*
Freehold land	**1,879**	1,817
Buildings	**2,951**	4,478
	4,830	6,295

Contingent liabilities

As at 30 April 2018, the Group had the following contingent liabilities:

Performance bonds

	As at 30 April 2018	As at 31 October 2017
	US$'000	*US$'000*
Performance bonds for contracts in favour of customers	**3,137**	5,140

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 interim dividend for the six months ended 30 April 2018.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 April 2018, the total number of full-time employees of the Group was approximately 276 (31 October 2017: 287). 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.

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 2018** *US$ million*	**Actual balance as at 30 April 2018** *US$ million*
Construction of the new facility in Senai, Malaysia	4.70	(3.46)	1.24
Upgrading and acquiring machines	0.89	(0.14)	0.75
Repayment of bank loans	2.39	(2.39)	—
Working capital	0.79	(0.79)	—
Total	8.77	(6.78)	1.99

(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 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 Reporting Period. 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 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 Ms. Wong Hiu Ping 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 2018 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 2018 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

25 June 2018

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.