

# Gemilang International Limited

## 彭順國際有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 6163

### GLOBAL OFFERING



Sole Sponsor



Alliance Capital Partners Limited  
同人融資有限公司

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



UPBEST SECURITIES COMPANY LIMITED



Alliance Capital Partners Limited  
同人融資有限公司

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# IMPORTANT

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**IMPORTANT:** If you are in any doubt about the contents in this prospectus, you should obtain independent professional advice.

## Gemilang International Limited

### 彭順國際有限公司

(incorporated in the Cayman Islands with limited liability)

#### GLOBAL OFFERING

**Number of Offer Shares under : 62,500,000 Shares (subject to the  
the Global Offering Offer Size Adjustment Option)**  
**Number of Hong Kong Public Offer Shares : 6,250,000 Shares (subject to reallocation)**  
**Number of International Offer Shares : 56,250,000 Shares (subject to reallocation  
and the Offer Size Adjustment Option)**  
**Maximum Offer Price : HK\$1.42 per Offer Share (payable in full  
on application, plus a brokerage of 1.0%,  
an SFC transaction levy of 0.0027% and a  
Stock Exchange trading fee of 0.005% and  
subject to refund) and expected to be not  
less than HK\$1.20 per Offer Share**  
**Nominal value : HK\$0.01 per Share**  
**Stock code : 6163**

#### Sole Sponsor



Alliance Capital Partners Limited  
同人融資有限公司

#### Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



UPBEST SECURITIES COMPANY LIMITED



Alliance Capital Partners Limited  
同人融資有限公司

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus and the related Application Forms, including the risk factors set out in the section headed "Risk Factors" of this prospectus.

The Offer Price is expected to be determined by agreement between our Company and the Joint Global Coordinators (on behalf of the Underwriters) at the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 4 November 2016 or such later time as may be agreed by our Company and the Joint Global Coordinators (on behalf of the Underwriters), but in any event no later than Monday, 7 November 2016. The Offer Price will be not more than HK\$1.42 per Offer Share and is currently expected to be not less than HK\$1.20 per Offer Share. Investors applying for Hong Kong Public Offer Shares must pay, on application, the maximum Offer Price of HK\$1.42 per Offer Share, unless otherwise announced, together with a brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$1.42.

The Joint Global Coordinators (on behalf of the Underwriters), with the consent of our Company, may reduce the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or of the indicative offer price range will be published in The Standard (in English) and Hong Kong Economic Journal (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure of the Global Offering" and "How to apply for Hong Kong Public Offer Shares" of this prospectus. If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on behalf of the Underwriters) on or before Monday, 7 November 2016, the Global Offering will not proceed and will lapse.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Public Offer Shares, are subject to termination by the Joint Global Coordinators, on behalf of the Hong Kong Underwriters, if certain circumstances arise prior to 8:00 a.m. on the Listing Date. Such circumstances are set out in the section headed "Underwriting — Underwriting arrangements and expenses — Grounds for termination of the Hong Kong Underwriting Agreement" of this prospectus. It is important that you carefully read that section for further details.

No information on any website forms part of this prospectus.

31 October 2016

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## EXPECTED TIMETABLE

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Latest time to complete electronic applications under the  
**HK eIPO White Form** service through the designated  
website [www.hkeipo.hk](http://www.hkeipo.hk)<sup>(2)</sup> . . . . . 11:30 a.m. on Thursday, 3 November 2016

Application lists open<sup>(3)</sup> . . . . . 11:45 a.m. on Thursday, 3 November 2016

Latest time to lodge **WHITE** and **YELLOW**

Application Forms . . . . . 12:00 noon on Thursday, 3 November 2016

Latest time to give **electronic application instructions**

to HKSCC<sup>(4)</sup> . . . . . 12:00 noon on Thursday, 3 November 2016

Latest time to complete payment of **HK eIPO White Form**

applications by effecting internet banking transfer(s) or  
PPS payment transfer(s) . . . . . 12:00 noon on Thursday, 3 November 2016

Application lists close<sup>(3)</sup> . . . . . 12:00 noon on Thursday, 3 November 2016

Expected Price Determination Date<sup>(5)</sup> . . . . . Friday, 4 November 2016

Announcement of:

- (i) the Offer Price;
- (ii) the level of indication of interest in the International Offering;
- (iii) the level of applications in the Hong Kong Public Offering; and
- (iv) the basis of allotment of the Hong Kong Public Offering  
(with successful applicants' identification document numbers,  
where applicable) to be published in The Standard (in English) and  
the Hong Kong Economic Journal (in Chinese) and on our website  
at [www.gml.com.my](http://www.gml.com.my) and the website of the Stock Exchange  
at [www.hkexnews.hk](http://www.hkexnews.hk) on or before . . . . . Thursday, 10 November 2016

Results of allocations in the Hong Kong Public Offering (with successful  
applicants' identification document numbers, where appropriate) to be  
available through a variety of channels as described in the section headed  
"How to Apply for Hong Kong Public Offer  
Shares — Publication of results" from . . . . . Thursday, 10 November 2016

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## EXPECTED TIMETABLE

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Results of allocations in the Hong Kong Public Offering will be available at [www.tricor.com.hk/lipo/result](http://www.tricor.com.hk/lipo/result), with a “search by ID” function from . . . . . Thursday, 10 November 2016

Despatch of Share certificates in respect of wholly or partially successful applications on or before<sup>(6)</sup> . . . . . Thursday, 10 November 2016

Despatch of refund cheques or **HK eIPO White Form** e-Auto Refund payment instructions in respect of wholly or partially unsuccessful applications on or before<sup>(7)(8)</sup> . . . . . Thursday, 10 November 2016

Dealings in Shares on the Stock Exchange to commence on . . . . . Friday, 11 November 2016

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*Notes:*

- (1) All times refer to Hong Kong local time, except otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” of this prospectus.
- (2) You will not be permitted to submit your application through the **HK eIPO White Form** Service through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 3 November 2016, the application lists will not open and close on that day. Further information is set out in the section headed “How to apply for Hong Kong Public Offer Shares — Effect of bad weather on the opening of the application lists” of this prospectus. If the application lists do not open and close on Thursday, 3 November 2016, the dates mentioned in this section may be affected. We will make a press announcement in such event.
- (4) Applicants who apply for Hong Kong Public Offering by giving **electronic application instructions** to HKSCC should refer to the section headed “How to apply for Hong Kong Public Offer Shares — Applying by giving electronic application instructions to HKSCC via CCASS” of this prospectus.
- (5) The Price Determination Date is expected to be on or about Friday, 4 November 2016, and in any event will not be later than Monday, 7 November 2016. If, for any reason, the Offer Price is not agreed on or before Monday, 7 November 2016, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.
- (6) Share certificates for the Hong Kong Public Offer Shares are expected to be issued on Thursday, 10 November 2016 but will only become valid certificates of title provided that (i) the Global Offering has become unconditional in all respects, and (ii) the Underwriting Agreements have not been terminated in accordance with their terms. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, we will make an announcement as soon as possible.

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## EXPECTED TIMETABLE

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- (7) Applicants who have applied on **WHITE** Application Forms for 1,000,000 Hong Kong Public Offer Shares or more and have provided all required information may collect refund cheques (if applicable) and Share certificates (if applicable) in person from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 10 November 2016. Identification and (where applicable) authorisation documents acceptable to the Hong Kong Share Registrar must be produced at the time of collection.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Hong Kong Public Offer Shares or more may collect their refund cheques (if applicable) in person but may not collect in person their Share certificates which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied through the **HK eIPO White Form** service by paying the application monies through a single bank account may have e-Auto Refund payment instructions (if any) dispatched to their application payment bank account on Thursday, 10 November 2016. Applicants who have applied through the **HK eIPO White Form** service by paying the application monies through multiple bank accounts may have refund cheque(s) sent to the address specified in their application instructions through the **HK eIPO White Form** service, on Thursday, 10 November 2016, by ordinary post and at their own risk.

Uncollected Share certificates (if applicable) and refund cheques (if applicable) will be dispatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms. Further information is set out in the section headed "How to apply for Hong Kong Public Offer Shares — Despatch/Collection of share certificates and refund monies" of this prospectus.

- (8) Refund cheques will be issued (if applicable) and e-Auto Refund payment instructions will be dispatched (where applicable) in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the price payable on application.

For details of the structure of the Global Offering, including conditions of the Hong Kong Public Offering, please refer to the section headed "Structure of the Global Offering" of this prospectus.

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## IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by our Company solely in connection with the Global Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus. This prospectus may not be used for the purpose of and does not constitute an offer to sell or a solicitation of an offer in any jurisdiction other than Hong Kong or in any other circumstances.*

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in the prospectus. Any information or representation not made in the prospectus must not be relied on by you as having been authorised by our Company, the Joint Global Coordinators, the Sole Sponsor, the Underwriters, any of their respective directors, or any other person involved in the Global Offering.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” of this prospectus. You should read this section carefully before you decide to invest in the Offer Shares.*

### OUR BUSINESS

#### Overview

We design and manufacture bus bodies and assemble buses and have over 25 years of track record in the industry. We divide our target markets into two segments, namely core markets which comprise Singapore and Malaysia, and developing markets which comprise all other markets to where we export our products including Australia, Hong Kong, China and India. According to Ipsos, we are one of the major bus body manufacturers in Malaysia and Singapore in 2015 based on the estimated revenue generated in Malaysia and Singapore markets, respectively. 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 manufacturing facility is located in Johor with four ports in its proximity and right next to Singapore. For the year ended 31 October 2013, 2014 and 2015 and the six months ended 30 April 2016, the utilisation rates of our production facility were approximately 96%, 98%, 128% and 80%, respectively. For further information on our utilisation rates, please refer to the section headed “Business — Production process — Our production capacity and utilisation rate” on pages 160 to 162 of this prospectus.

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) which we assemble onto chassis for direct delivery. During our production process, we do not manufacture all the components of the entire bus units at our facility but we would build on the chassis produced by our chassis principals and other components sourced from other suppliers. We work closely with chassis principals and/or directly with bus transportation operators to provide customised solutions to suit their specific needs. Our chassis principals include MAN, Mercedes-Benz, Scania and Volvo, and the majority of these chassis principals have had business relationships with us for over 10 years.

The prices of our products are primarily determined on a cost plus basis, which are calculated based on the product specifications, price of the raw materials and the market price of similar products.

Our total revenue were approximately US\$32.37 million, US\$34.33 million and US\$41.07 million and US\$16.75 million for the years ended 31 October 2013, 2014 and 2015 and the six months ended 30 April 2016, respectively. Our gross profit were approximately US\$6.57 million, US\$7.01 million, US\$9.20 million and US\$4.13 million for the years ended 31 October 2013, 2014 and 2015 and the six months ended 30 April 2016, respectively.

## SUMMARY

The following table sets out our revenue from different product segments during the Track Record Period:

	Year ended 31 October						Six months ended 30 April			
	2013		2014		2015		2015		2016	
	US\$'000	%	US\$'000	%	US\$'000	%	<i>(unaudited)</i> US\$'000	%	US\$'000	%
<b>Bus (CBU)</b>										
— City Bus . . . . .	18,895	58.4	13,678	39.8	31,539	76.8	19,937	73.8	11,263	67.2
— Coach . . . . .	2,449	7.6	4,419	12.9	2,885	7.0	2,278	8.4	3,202	19.1
<b>Bus Body</b>										
<b>CKD</b>										
— City Bus . . . . .	105	0.3	2,868	8.4	2,100	5.1	1,483	5.5	127	0.8
— Coach . . . . .	895	2.8	—	—	—	—	—	—	600	3.6
<b>SKD</b>										
— City Bus . . . . .	7,399	22.8	9,401	27.4	2,847	6.9	2,235	8.3	632	3.8
— Coach . . . . .	—	—	—	—	—	—	—	—	—	—
<b>Maintenance and aftersales service . . . . .</b>	<b>2,628</b>	<b>8.1</b>	<b>3,963</b>	<b>11.5</b>	<b>1,699</b>	<b>4.2</b>	<b>1,072</b>	<b>4.0</b>	<b>930</b>	<b>5.5</b>
<b>Total . . . . .</b>	<b>32,371</b>	<b>100.0</b>	<b>34,329</b>	<b>100.0</b>	<b>41,070</b>	<b>100.0</b>	<b>27,005</b>	<b>100.0</b>	<b>16,754</b>	<b>100.0</b>

### Our competitive strengths

Our Directors believe that we have the following major strengths to compete in the bus and bus body industry:

- We have over 25 years of proven track record in the bus and bus body industry
- We provide integrated solutions to our customers in terms of design and manufacturing of bus bodies and bus assembly
- We have built long standing business relationships with chassis principals and bus transportation operators in our target markets
- We are recognised for our product quality and safety
- We have a stable and experienced management team

For details, please refer to the section headed “Business — Competitive strengths” on pages 128 to 131 of this prospectus.

### Our business strategies

To create long term shareholder value, our principal business strategies are to:

- expand our presence in China, Hong Kong and other Asian countries
- expand our manufacturing capacity in Malaysia
- further enhance our strategic partnership with chassis principals
- consolidate our leading position in Malaysia and Singapore
- further diversify our product portfolio

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## SUMMARY

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For details, please refer to the section headed “Business — Business strategies” on pages 131 to 133 of this prospectus.

### **Sales model and channel**

In marketing our brand and products, we adopt a two-prong strategy. Firstly, we market our buses and bus bodies directly to end customers, namely the public and private bus transportation operators, from which we usually receive a direct purchase order and we are not required to bid for a contract with these customers.

Secondly, we market our products indirectly with chassis principals and their purchasing agents, bus assemblers or manufacturers who sell their products to public and private bus transportation operators. Normally, the chassis principals would act as the main contractors and bid for bus supply contracts from bus transportation operators and/or local transportation authorities. Prior to making such bidding, they will obtain quotation from us with specifications on product quality, quantity and after-sales services.

For details of breakdown of our revenue, gross profit, percentage of contribution to gross profit and gross profit margin for the Track Record Period by category of customers, please refer to the section headed “Business — Our customers” from page 142 to page 152 of this prospectus.

### **Our customers and suppliers**

#### *Our customers*

We believe that our customers choose us as the manufacturer of bus bodies due to the quality of our products, our design capability of bus bodies to fit onto the chassis of our chassis principals, our know-how, experience and track record through the long standing business relationships with them.

For the years ended 31 October 2013, 2014 and 2015 and the six months ended 30 April 2016, our five largest customers accounted for approximately 88.4%, 90.8%, 86.9% and 92.2% of our revenue, respectively, and our largest customer accounted for approximately 54.4%, 33.1%, 59.1%, and 60.3% of our revenue, respectively. Our Directors confirmed that during the Track Record Period we are the sole supplier of bus bodies of our largest customer for its city buses in Singapore. The Directors believe that the sole supplier relationship can ensure the stable and good quality supply of city buses in Singapore, which is mutually beneficial to both parties.

Despite such customer concentration, our Directors consider that we are not reliant on any single customer and capable of maintaining our revenue in the future. For details and risk in relation to our relationship with our top five customers, please refer to the paragraphs headed “Business — Our customers — Customer concentration” from pages 150 to 152 in this prospectus and the section headed “Risk factors — Our top five customers accounted for a substantial portion of our revenue and we have no long-term supply contract/purchase commitments from them” on page 34 of this prospectus.

#### *Our suppliers*

We source and purchase materials such as aluminium extrusions, sheets and bars, steel extrusions, bus components and parts such as driver and passenger seats, bus door, window glasses, air condition units, fuel tanks, and passenger information systems from our suppliers around the world.

For the years ended 31 October 2013, 2014 and 2015 and the six months ended 30 April 2016, our purchases from our five largest suppliers amounted to approximately 29.6%, 35.5%, 31.9% and 54.5% of our cost of sales, respectively, and purchases from our largest supplier accounted for approximately 14.5%, 17.6%, 16.6%, and 35.6% of our cost of sales, respectively.

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# SUMMARY

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## SHAREHOLDERS' INFORMATION

### Our Controlling Shareholders

Immediately after completion of the Global Offering (without taking into account of any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), Mr. SW Phang, through Sun Wah, a company directly wholly-owned by him, will indirectly hold approximately 32.83% of our enlarged issued share capital. Mr. CY Pang, through Golden Castle, a company directly wholly-owned by him, will indirectly hold approximately 32.83% of our enlarged issued share capital. Hence, Mr. SW Phang, Sun Wah, Mr. CY Pang and Golden Castle are our Controlling Shareholders.

Mr. SW Phang and Mr. CY Pang, both being our Controlling Shareholders, have been parties acting in concert (having the meaning ascribed to it under the Takeovers Code) during the Track Record Period and in the course of the Reorganisation and will continue to be parties acting in concert (having the meaning ascribed to it under the Takeovers Code) until such arrangement is terminated in writing by them pursuant to the Concert Party Deed. For details, please refer to the section headed "History, Reorganisation and corporate structure — Concert Party Deed" on page 106 of this prospectus.

### Pre-IPO Investors

On 27 April 2016, 27 April 2016 and 25 May 2016, Gemilang International entered into the Subscription Agreements with the Pre-IPO Investors (all being Independent Third Parties), respectively pursuant to which the Pre-IPO Investors agreed to subscribe for the Exchangeable Bonds at an aggregated principal amount of HK\$15 million.

On the first business day immediately preceding the Listing Date, each of the Exchangeable Bonds shall be automatically and mandatorily exchanged for our Shares equivalent to 4.15% of our issued and enlarged share capital immediately before the completion of the Global Offering. For details, please refer to the section headed "History, reorganisation and corporate structure — Pre-IPO Investments" from pages 110 to 111 of this prospectus. Immediately after completion of the Global Offering (without taking into account of any options which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any Shares which may be granted under the Share Option Scheme), the First Pre-IPO Investor, the Second Pre-IPO Investor and the Third Pre-IPO Investor will hold approximately 3.11%, 3.11% and 3.11% of our enlarged issued share capital respectively.

## RISK FACTORS

There are certain risks involved in our business operations and in connection with the Global Offering, many of which are beyond our control. Any of the factors set forth under the section headed "Risk factors" from pages 34 to 51 of this prospectus may limit our ability to execute our business strategy successfully. For example, (i) our top five customers accounted for a substantial portion of our revenue and we have no long-term supply contract/purchase commitments from them, (ii) should our efforts to maintain a high level of customer satisfaction are not successful, we may not be able to attract or retain customers, (iii) there is no assurance that our chassis principals will continue to succeed in their tender process and thereby ensuring us continuous supply contracts, (iv) our success depends on the continuing efforts of our senior management team and other key personnel, and (v) we depend on the existing production facility and we are subject to risks relating to the operation of our production facility.

As different investors may have different interpretations and standards for determining the materiality of a risk, you should read the entire section headed "Risk factors" from pages 34 to 51 of this prospectus carefully before you decide to invest in the Offer Shares. You should not place any reliance on any information contained in press articles, research analysts' reports or other media regarding us and the Global Offering, certain of which may not be consistent with the information contained in this prospectus.

# SUMMARY

## HISTORICAL NON-COMPLIANCE INCIDENTS

Our Controlling Shareholders have given us an indemnity covering our liabilities, if any, arising from non-compliance incidents set out in the section headed “Business — Legal proceedings and compliance — Non-compliances” from pages 192 to 196 of this prospectus. For details of non-compliance incidents, please refer to the section headed “Business — Legal proceedings and compliance — Non-compliances” from pages 192 to 196 of this prospectus.

## SUMMARY OF COMBINED RESULTS OF OPERATIONS AND FINANCIAL POSITION

The following table sets out the combined results of our Group for each of the three years ended 31 October 2015 and the six months ended 30 April 2016, which is extracted from the Accountants’ Report of the Group set out in Appendix IA to this prospectus.

	Year ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
	<i>US\$’000</i>	<i>US\$’000</i>	<i>US\$’000</i>	<i>US\$’000</i> (Unaudited)	<i>US\$’000</i>
Revenue . . . . .	32,371	34,329	41,070	27,005	16,754
Cost of sales . . . . .	(25,805)	(27,317)	(31,868)	(20,824)	(12,624)
<b>Gross profit</b> . . . . .	<b>6,566</b>	<b>7,012</b>	<b>9,202</b>	<b>6,181</b>	<b>4,130</b>
Other revenue . . . . .	47	53	64	40	28
Other net income/(loss) . . . . .	163	(54)	928	320	107
Selling and distribution expenses . . . . .	(518)	(964)	(1,742)	(521)	(839)
General and administrative expenses . . . . .	(1,601)	(1,795)	(2,299)	(1,210)	(1,667)
<b>Profit from operations</b> . . . . .	<b>4,657</b>	<b>4,252</b>	<b>6,153</b>	<b>4,810</b>	<b>1,759</b>
Finance costs . . . . .	(799)	(886)	(791)	(416)	(323)
<b>Profit before taxation</b> . . . . .	<b>3,858</b>	<b>3,366</b>	<b>5,362</b>	<b>4,394</b>	<b>1,436</b>
Income tax expenses . . . . .	(925)	(955)	(162)	(1,128)	(528)
Profit for the year/period attributable to equity owners of the Company . . . . .	<b>2,933</b>	<b>2,411</b>	<b>5,200</b>	<b>3,266</b>	<b>908</b>

### Gross profit and gross profit margin

Our gross profit was approximately US\$6.57 million, US\$7.01 million, US\$9.20 million and US\$4.13 million for the years ended 31 October 2013, 31 October 2014 and 31 October 2015 and the six months ended 30 April 2016, respectively. Our gross profit margin was approximately 20.3%, 20.4%, 22.4% and 24.7% for the years ended 31 October 2013, 31 October 2014 and 31 October 2015 and the six months ended 30 April 2016, respectively.

For details of breakdown of our gross profit, gross profit margin and the percentage of our total gross profit during the Track Record Period by product material, please refer to the section headed “Financial information — Selected items of the combined income statements — Gross profit and gross profit margin” on page 244 of this prospectus.

### Profit for the year/period

Our profit for the period decreased from approximately US\$3.27 million for the six months ended 30 April 2015 to approximately US\$0.91 million for the six months ended 30 April 2016, representing a decrease of approximately 72.2%.

## SUMMARY

Our profit for the year increased from approximately US\$2.41 million for the year ended 31 October 2014 to US\$5.20 million for the year ended 31 October 2015, representing a growth of approximately 115.8%.

For details of our financial performance during the Track Record Period, please refer to the section headed “Financial Information — Review of historical results of operation” from pages 249 to 255 of this prospectus.

Our Group undertakes certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arises. Our Directors believe that the depreciation and weakening of Malaysian Ringgit would not have any negative impact on our net working capital needs and borrowing ability as the weakening of Malaysian Ringgit would result in an increase in profit. For further information on the impact of fluctuation of Malaysian Ringgit on our financial results, please refer to the section headed “Financial information — Selected items of the combined income statements — Sensitivity analysis on the fluctuation of Malaysian Ringgit” from pages 237 to 240 of this prospectus. For further information on our exposure to foreign currency exchange risk, please refer to the section headed “Financial information — Financial risk management objectives and policies — Foreign currency exchange risk” from pages 282 to 283 of this prospectus.

### Highlight of certain items of our combined statements of financial position

	As at 31 October			As at 30 April
	2013	2014	2015	2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Non-current assets . . . . .	6,202	6,147	6,119	7,910
Current assets . . . . .	15,110	22,727	17,274	22,461
Current liabilities . . . . .	(18,524)	(25,651)	(18,572)	(24,392)
Net current liabilities . . . . .	(3,414)	(2,924)	(1,298)	(1,931)
Total assets less current liabilities . . . .	2,788	3,223	4,821	5,979
Non-current liabilities . . . . .	(263)	(417)	(88)	(324)
Net assets . . . . .	2,525	2,806	4,733	5,655

As a private company, we had a policy of paying out substantial part of our net profit for the year as dividend during the Track Record Period. During the Track Record Period, our average payout ratio ranged from 43.6% to 109.6%, leading to a relatively low cash balance. We finance our working capital primarily through cash generated from operation, bank borrowings and trade credits including trade payable and advance deposits from our customers. In addition, we have been utilising short term facilities to finance our capital expenditures which are long term in nature. As a result, we had net current liabilities during the Track Record Period.

## SUMMARY

### Highlight of our combined cash flows statements

	Year ended 31 October			Six months ended 30 April 2016
	2013	2014	2015	
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Net cash flows generated from operating activities	5,934	51	3,188	4,250
Net cash flows used in investing activities . . . . .	(403)	(594)	(434)	(1,341)
Net cash flows used in financing activities . . . . .	(5,204)	(171)	(2,243)	(1,774)
Net increase (decrease) in cash and cash equivalents . . . . .	327	(714)	511	1,135
Cash and cash equivalents at the beginning of the year/periods . . . . .	(124)	208	(514)	122
Effect of foreign exchange translation . . . . .	5	(8)	125	7
Cash and cash equivalents at the end of the years/period . . . . .	<u>208</u>	<u>(514)</u>	<u>122</u>	<u>1,264</u>

### Key financial ratios

	As at/ for the year ended 31 October			As at/for the six months ended 30 April 2016
	2013	2014	2015	
<b>Profitability ratios</b>				
Gross margin . . . . .	20.3%	20.4%	22.4%	24.7%
Return on assets . . . . .	13.8%	8.4%	22.2%	6.0%
Return on equity . . . . .	116.2%	85.9%	109.9%	32.1%
<b>Liquidity ratios</b>				
Current ratio . . . . .	0.82	0.89	0.93	0.92
Quick ratio . . . . .	0.36	0.45	0.56	0.42
<b>Capital adequacy ratios</b>				
Gearing ratio . . . . .	392.5%	394.7%	220.7%	163.4%
Net debt-to-equity ratio . . . . .	377.7%	385.4%	200.6%	141.0%
Interest coverage . . . . .	5.8	4.8	7.8	5.4

For further analysis, please refer to the section headed “Financial information — Key financial ratios” on pages 279 to 282 of this prospectus.

### PROFIT FORECAST

For the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 November 2015, our unaudited pro forma forecast earnings per Share for the year ending 31 October 2016 have been prepared on the basis of the notes set out below. This unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of our financial results for the year ending 31 October 2016 or for any future period.

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## SUMMARY

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Forecast consolidated profit attributable to equity owners  
of our Company for the year ending 31 October 2016<sup>(1)</sup> . . . . . not less than US\$2.1 million  
(approximately HK\$16.3 million)

Unaudited pro forma forecast earnings per share  
for the year ending 31 October 2016<sup>(2)(3)</sup> . . . . . not less than US\$0.84 cents  
(approximately HK\$6.52 cents)

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*Notes:*

1. The bases and assumptions on which the above profit forecast has been prepared are summarised in Appendix III to this prospectus. The Directors have prepared the forecast combined profit attributable to equity owners of our Company for the year ending 31 October 2016 based on the audited combined results for the six months ended 30 April 2016, the unaudited combined results based on management accounts of our Group for the four months ended 31 August 2016 and a forecast of the consolidated results of our Group for the remaining two months ending 31 October 2016 and assuming a total listing expenses of approximately US\$2.34 million (approximately HK\$18.16 million) to be incurred during the financial year.
2. The calculation of the unaudited pro forma forecast earnings per share is based on the forecast consolidated results for the year ending 31 October 2016 attributable to equity owners of our Company, assuming that a total of 250,000,000 shares had been issued during the entire year. The calculation of the forecast earnings per share does not take into account any shares which may be issued upon the exercise of the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme.
3. The forecast consolidated profit attributable to equity owners of our Company and the unaudited pro forma forecast earnings per share are converted into HK\$ at the exchange rate of US\$1.00 to HK\$7.76.

### LISTING EXPENSES

We expect the total Listing expenses (including underwriting commission) in relation to the Global Offering to be approximately US\$3.47 million (approximately HK\$26.94 million), based on the midpoint of the Offer Price range. For the six months ended 30 April 2016, Listing expenses of approximately US\$0.48 million (approximately HK\$3.72 million) had been recognised as expenses. It is estimated that based on the midpoint of the Offer Price range set out in this prospectus, Listing expenses in the sum of approximately US\$1.13 million (approximately HK\$8.78 million) will be capitalised in equity and the remaining Listing expenses in the sum of approximately US\$2.34 million (approximately HK\$18.16 million) will be recognised as expenses for the year ending 31 October 2016. Part of these Listing expenses are covered by the funds raised from the Pre-IPO Investments of approximately US\$1.93 million (HK\$15.0 million), with the remaining of approximately US\$1.54 million (HK\$11.94 million) to be deducted from the gross proceeds from the Global Offering. For further information, please refer to the section headed “Financial information — Listing expenses” on page 289 of this prospectus.

### GLOBAL OFFERING STATISTICS<sup>(1)</sup> AND USE OF PROCEEDS

Number of Offer Shares	62,500,000 Shares (subject to the Offer Size Adjustment Option)
Offer Size Adjustment Option	Up to an aggregate of 9,375,000 additional Offer Shares, representing 15% of the initial number of Offer Shares
Offering structure	Hong Kong Public Offering: 6,250,000 Shares, representing 10% of the initial number of the Offer Shares (subject to reallocation)  International Offering: 56,250,000 Shares, representing 90% of the initial number of Offer Shares (subject to reallocation)



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## SUMMARY

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Offer Price range HK\$1.20 to HK\$1.42 per Offer Share

Board lot 2,000 Shares

	<b>Based on the minimum indicative Offer Price of HK\$1.20 per Offer Share</b>	<b>Based on the maximum indicative Offer Price of HK\$1.42 per Offer Share</b>
Market capitalisation . . . . .	HK\$300.0 million	HK\$355.0 million
Forecast price to earnings ratio <sup>(4)</sup> . . . . .	18.4 times	21.8 times
Unaudited pro forma adjusted consolidated net tangible asset value per Share <sup>(2)</sup> . . . . .	HK\$0.38	HK\$0.43

Use of proceeds (assuming an Offer Price of HK\$1.31 per Offer Share (being the midpoint of the indicative Offer Price range) and the Offer Size Adjustment Option is not exercised)<sup>(3)</sup> . . . . .

We expect to receive total net proceeds of approximately HK\$69.93 million or approximately US\$9.01 million from the Global Offering and Pre-IPO Investments:

- approximately 53.7% (approximately HK\$37.55 million or approximately US\$4.84 million), will be used for the construction of the new facility in Senai, Malaysia, which is expected to be in full operation by 2017;
- approximately 10.1% (approximately HK\$7.04 million or approximately US\$0.91 million), will be used for upgrading existing machineries and for acquiring additional cutting machines and other type of machinery in these two years in order to cope with our business expansion and increase our overall production efficiency and capacity;
- approximately 27.2% (approximately HK\$19.0 million or approximately US\$2.45 million), to be used to repay a bank loan, which is used to fund our capital expenditure. The bank loan carries an interest rate of 1.25% above the bank's base lending rate per annum is of a revolving nature; and
- approximately 9.0% (approximately HK\$6.34 million or approximately US\$0.81 million) to apply towards our general working capital.

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## SUMMARY

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For details, please refer to the section headed “Future plans and use of proceeds” on pages 301 to 303 of this prospectus.

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*Notes:*

1. The offering statistics are based on an Offer Price of HK\$1.31 per Offer Share (being the mid-point of the indicative Offer Price range) and do not take into account of any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or Shares which may be issued upon the exercise of options granted under the Share Option Scheme.
2. For the assumptions and calculation method, please refer to the section headed “Unaudited pro forma financial information” set out in Appendix II to this prospectus.

The unaudited pro forma adjusted combined net tangible assets per share does not take into account i) Gemilang Coachwork’s interim dividend of approximately US\$753,000 declared on 1 July 2016 before the completion of Reorganisation; and ii) the effect of the loan capitalisation of approximately US\$1,933,000 as described in the paragraph headed “Reorganisation — (ix) capitalisation of the loan” in the section headed “History, reorganisation and corporate structure” of this prospectus. Had such dividend and loan capitalisation been taken into account together, the unaudited pro forma adjusted combined net tangible assets per Share would be US\$0.054 (HK\$0.417) and US\$0.061 (HK\$0.470), assuming the Offer Price range of HK\$1.20 and HK\$1.42 per Share respectively at an exchange rate of HK\$7.76 to US\$1.

3. For details, please refer to the section headed “Future plans and use of proceeds” of this prospectus.
4. The ratio is calculated based on market capitalisation divided by forecast consolidated profit attributable to equity owners of our Company for the year ending 31 October 2016. Such forecast has taken into account the one-off estimated listing expenses of approximately US\$2.34 million (approximately HK\$18.16 million) to be recognised as expenses. Forecast consolidated profit attributable to equity owners of our Company before listing expenses for the year ending 31 October 2016 is approximately US\$4.44 million (approximately HK\$34.45 million).

## DIVIDEND

For each of the three years ended 31 October 2015 and the six months ended 30 April 2016, we declared and paid an aggregated dividend of US\$3.22 million, US\$2.01 million, US\$2.27 million and US\$0.49 million, respectively, which represented a payout ratio of 109.6%, 83.3%, 43.6% and 53.5%, respectively. On 1 July 2016, we have further declared a dividend of US\$0.75 million, which was paid in full in September 2016 using internally generated funds. The dividend was declared to provide returns to the shareholders on their respective investments, and is not an indicator of the dividend to be declared in the future.

Our Directors intend to declare dividends, if any, in Hong Kong dollars with respect to Shares on a per Share basis and will pay such dividends in Hong Kong dollars. Any final dividend for a financial year will be subject to the Shareholders’ approval. The Company currently does not have a dividend policy in place. For subsequent years, our Directors may recommend declaration of final dividends or pay interim dividends, if any, after taking into account, among other things, our results of operations, cashflows and financial condition, operating and capital requirements, the amount of distributable profits based on HKFRSs, the Memorandum and Bye-laws, the Companies Act,

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## SUMMARY

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applicable laws and regulations, prevailing economic climate and such other factors which our Directors may deem relevant. There is, however, no assurance that dividends of such amount or any amount will be declared or distributed in the future.

### REASONS FOR LISTING

We consider the Listing would allow us to further strengthen our capital base, thereby equipping us with necessary financial capability for future expansion. Our Directors consider that Hong Kong is an international financial centre and the stock market in Hong Kong is well established and highly recognised internationally. Listing in Hong Kong will allow us to have greater exposure to international financial community, which may open up a new channel of financing. At the same time, in view of our strategy of increasing our market presence in Hong Kong, China, Australia and New Zealand markets and as a regional player, a listing in Hong Kong would promote our corporate identity, enhance our profile and credibility globally, especially in Asia Pacific region. Moreover, a listing platform would enable us to retain and attract suitable calibers so that we could build ourselves towards our objectives.

### RECENT DEVELOPMENTS

The followings are the list of our major developments after 30 April 2016:

- (i) since May 2016 and up to the Latest Practicable Date, we delivered a total of 155 buses and 144 bus body kits to Singapore, Malaysia, China, Hong Kong, Australia, New Zealand and The Philippines;
- (ii) in May 2016, we secured an order for 122 double-deck buses worth approximately US\$19.5 million from Singapore scheduled for delivery over period commencing from October 2016 to September 2017;
- (iii) in August 2016, we secured an order for 11 single-deck electric buses worth approximately US\$1.0 million (MYR4.1 million) to be used in Hong Kong;
- (iv) in April 2016, we secured a bank loan of approximately US\$4.90 million (MYR20 million) for general working capital. As of the Latest Practicable Date, we have already utilised an amount of approximately US\$4.07 million from this loan facility. In light of this, our unutilised bank facilities under this bank loan are approximately US\$0.83 million;
- (v) the Group has drawdown a bank loan for construction of new facility of approximately US\$1.13 million in September 2016 at interest rate of 1.8% below the Malaysian bank's base lending rate which is repayable within 15 years. The bank loan is secured by the freehold land, buildings and building in progress held by our Group; and

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## SUMMARY

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- (vi) on 20 July 2016, Gemilang Asia Pacific, a wholly owned subsidiary of the Company, entered into a share sale agreement with Mr. CY Pang, our Controlling Shareholder and executive Director. Pursuant to the agreement, Gemilang Asia Pacific acquired 50% interest of Gemilang Australia from Mr. CY Pang. For further details, please refer to the paragraphs headed “History, Reorganisation and corporate structure — Acquisition of 50% interests in Gemilang Australia” on page 107 of this prospectus and “Financial information — Acquisition of 50% interests in Gemilang Australia” from pages 290 to 292 of this prospectus.

After the aforesaid acquisition which was completed on 20 July 2016, Gemilang Australia became our associate company whose results would be recorded in the Group’s financial statements using the equity method of accounting and any goodwill arising from the GA Acquisition will be accounted for in the investment cost of Gemilang Australia.

It is expected that our net profit for the year ending 31 October 2016 before deduction of Listing expenses will decrease compared to net profit for the year ended 31 October 2015. Such decrease is mainly as a result of a deferred tax income of US\$1.19 million in relation to a claim of export tax incentive available in the year ended 31 October 2015. In accordance with the Income Tax (Exemption) (No:17) Order 2005 (P.U.(A) 158/2005), such export tax incentive is granted to a local company resident in Malaysia and carrying on activities of manufacturing or agricultural from the payment of income tax in respect of income derived from increase in export sales. For details of the Malaysian regulation on export tax incentive, including the criteria and rate of exemption, please refer to the section headed “Regulations — Income tax exemption on value of increased exports” from pages 89 to 90 of this prospectus. If there were no such claim of export tax incentive in the year ended 31 October 2015, the forecast net profit for the year ending 31 October 2016 before deduction of Listing expenses would be higher than the net profit for the year ended 31 October 2015.

### **NO MATERIAL ADVERSE CHANGE**

As mentioned in the paragraph headed “Listing expenses” in this section above, it is estimated that based on the midpoint of the Offer Price range set out in this prospectus, part of the Listing expenses in the sum of approximately HK\$18.16 million is expected to be recognised as expenses for the year ending 31 October 2016. Our Directors expect that our financial results for the year ending 31 October 2016 will be negatively affected by the significant non-recurring Listing expenses incurred in relation to the Global Offering. Save as disclosed above, our Directors confirmed that since 30 April 2016 and up to the Latest Practicable Date, (i) there has been no material adverse change in the market conditions or the industry and environment in which we operate that would materially and adversely affect our financial or operating position; (ii) there has been no other material adverse change in the trading and financial position or prospects of our Group; and (iii) no event had occurred in all material respects since 30 April 2016 and up to the Latest Practicable Date that would adversely affect the information shown in the Accountants’ Report of the Group set out in Appendix IA to this prospectus.

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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.*

“Application Forms(s)”	<b>WHITE</b> application form(s) and <b>YELLOW</b> application form(s) and <b>GREEN</b> application form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
“Articles” or “Articles of Association”	the articles of association adopted by our Company on 21 October 2016 to take effect on the Listing Date
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Australia”	the Commonwealth of Australia
“Board of Directors” or “Board”	the board of Directors
“Bondholder”	the person who is or the body corporate which is for the time being a holder of the Exchangeable Bond
“BRT”	the Bus Rapid Transit (BRT) Sunway Line, an Independent Third Party servicing the southeastern suburbs of Petaling Jaya, Malaysia
“business day”	any day (excluding a Saturday, or a Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS at a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

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## DEFINITIONS

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“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of China and Taiwan
“Companies Law”	The Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Gemilang International Limited (彭順國際有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on 21 June 2016
“Concert Party Deed”	the confirmatory deed in relation to parties acting in concert dated 20 July 2016 and signed by Mr. SW Phang and Mr. CY Pang, particulars of which are set out in the section headed “History, reorganisation and corporate structure — Concert Party Deed” of this prospectus
“Conditions”	the terms and conditions of the Subscription Agreements
“connected person(s)”	has the same meaning ascribed thereto under the Hong Kong Listing Rules

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## DEFINITIONS

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“Constellium”	Constellium Valais SA, previously known as Alcan Aluminium Valais SA, a company incorporated in Switzerland and an indirect subsidiary of Constellium N.V., the shares of which are listed on the New York Stock Exchange and Euronext Paris and a global producer of aluminium semi-products headquartered in Amsterdam and corporate offices in Paris, Zurich and New York
“Constellium Licence Agreement”	the non-exclusive licence agreement dated 21 July 2001 entered into between Alesa Alusuisse Engineering Ltd., a corporation duly organised under the laws of Switzerland, a subsidiary of Alcan Inc. and Efficient Auto, in relation to the grant of a non-exclusive licence by Alesa Alusuisse Engineering Ltd. as the licensor to Efficient Auto as the licence for the application of the EcoRange System in the manufacturing of bus bodies superstructure in Malaysia where Alesa Alusuisse Engineering Ltd. subsequently transferred all its rights and obligations under the Constellium Licence Agreement to Constellium, and Efficient Auto subsequently transferred all its rights and obligations under the Constellium Licence Agreement to Gemilang Coachwork under a letter dated 12 May 2010
“Controlling Shareholder(s)” or “our Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of our Company immediately after the Global Offering as referred to in the section headed “Relationship with the Controlling Shareholders” of this prospectus
“Deed of Indemnity”	the deed of indemnity dated 21 October 2016 and entered into between our Controlling Shareholders and our Company, pursuant to which our Controlling Shareholders agree to provide us with certain indemnities, a summary of which is set out in the section headed “Statutory and general information — Other information — Estate duty, tax and other indemnities” in Appendix VI to this prospectus

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## DEFINITIONS

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“Deed of Non-Competition”	the deed of non-competition dated 21 October 2016 given by each of our Controlling Shareholders in favour of our Company, particulars of which are set out in the section headed “Relationship with the Controlling Shareholders — Deed of Non-Competition” of this prospectus
“Director(s)”	the director(s) of our Company
“Efficient Auto”	Efficient Auto Sdn Bhd, a company incorporated under the laws of Malaysia and dissolved on 15 August 2011. It was owned as to 77.5% by BCI Export Division Sdn. Bhd. and 22.5% by SPMB Holdings Sdn. Bhd., an Independent Third Party. BCI Export Division Sdn. Bhd. was held 25% each by Mr. SW Phang and Mr. CY Pang
“Exchangeable Bonds”	the First Exchangeable Bond, the Second Exchangeable Bond and the Third Exchangeable Bond
“Exchange Period”	the period during which the Bondholder may exchange the Exchangeable Bonds into the Exchange Shares at the Exchange Ratio
“Exchange Ratio”	in percentage terms the outstanding Principal divided by the Exchange Valuation
“Exchange Right”	the rights attached to the Exchangeable Bond in respect of the exchange of the Principal for the Exchange Shares by the Bondholder subject to conditions
“Exchange Shares”	the Shares, which are fully paid, free of any encumbrances and validly issued by the Company, which will be exchanged by the Bondholder with Gemilang International
“Exchange Valuation”	the valuation of the Group for the purpose of exchanging the Principal for the Exchange Shares at the Exchange Ratio
“First Exchangeable Bond”	the exchangeable bond in the principal amount of HK\$5,000,000 issued by Gemilang International in favour of the First Pre-IPO Investor on 29 April 2016



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## DEFINITIONS

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“First Pre-IPO Investor”	Lucky Joy Investments Limited, a company incorporated in the BVI with limited liability, an Independent Third Party
“Gemilang Asia Pacific”	Gemilang Asia Pacific Limited, a company incorporated in the BVI on 28 June 2016 with limited liability and a wholly owned subsidiary of the Company
“Gemilang Australia”	Gemilang Australia Pty. Ltd., a company incorporated in Western Australia on 15 September 2009 with limited liability and an associate company of our Company, the issued shares of which is held as to 50% directly by Gemilang Asia Pacific, and 25% held by Mr. Peter James Murley and Topmob Enterprises Pty Ltd, respectively, the latter two being Independent Third Parties
“Gemilang BVI”	Gemilang Limited, a company incorporated in the BVI on 28 June 2016 with limited liability and a wholly owned subsidiary of the Company
“Gemilang Coachwork”	Gemilang Coachwork Sdn. Bhd., a company incorporated on 23 September 1989 with limited liability under the laws of Malaysia which is indirectly owned by our Company
“Gemilang International”	Gemilang International Investments Limited, a company incorporated on 1 March 2016 with limited liability under the laws of BVI, the issued share capital of which is owned as to 50% by Sun Wah and as to 50% by Golden Castle
“Gemilang Singapore”	GML Coach Technology Pte. Ltd, a private company limited by shares which was incorporated on 19 April 2004 under the laws of Singapore, the entire issued share capital of which is indirectly owned by our Company
“Global Offering”	the Hong Kong Public Offering and the International Offering

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## DEFINITIONS

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“GML Marketing”	GML Marketing Sdn. Bhd., a company incorporated on 10 August 1996 with limited liability under the laws of Malaysia, the issued share capital of which is owned as to 50% by Mr. CY Pang and 50% by Mr. SW Phang
“GML Property”	GML Property Sdn. Bhd., a company incorporated on 30 March 2009 with limited liability under the laws of Malaysia, the issued share capital of which is owned as to 25% by each of Mr. CY Pang, Mr. SW Phang and their spouses respectively
“Golden Castle”	Golden Castle Investments Limited, a company incorporated on 18 February 2016 in the BVI with limited liability, the entire issued share capital of which is owned by Mr. CY Pang
“ <b>GREEN</b> application form(s)”	the application form(s) to be completed by the <b>HK eIPO White Form</b> Service Provider
“Group” or “our Group”, “we” or “us”	our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company
“ <b>HK eIPO White Form</b> ”	the application for the Hong Kong Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“ <b>HK eIPO White Form</b> Service Provider”	the <b>HK eIPO White Form</b> service provider designated by our Company as specified on the website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“HKFRS”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Hong Kong Public Offer Shares”	the 6,250,000 Shares being initially offered by the Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed “Structure of the Global Offering” of this prospectus)
“Hong Kong Public Offering”	the issue and offer for subscription of the Hong Kong Public Offer Shares to the public in Hong Kong for cash (subject to adjustment as described in the section headed “Structure of the Global Offering” of this prospectus) at the Offer Price (plus brokerage, SFC transaction levies, and Stock Exchange trading fees), subject to and in accordance with the terms and conditions described in this prospectus and the Application Forms as further described in the section headed “Structure of the Global Offering — The Hong Kong Public Offering” of this prospectus
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting — Hong Kong Underwriters” of this prospectus
“Hong Kong Underwriting Agreement”	the conditional underwriting agreement dated 28 October 2016 relating to the Hong Kong Public Offering entered into by, among others, our Company, our Controlling Shareholders, our executive Directors and the Hong Kong Underwriters, as further described in the section headed “Underwriting” of this prospectus
“Independent Third Party(ies)”	a person(s) or company(ies) who/which is or are independent of and not connected with our Company or our subsidiaries or any of their respective associates within the meaning of the Listing Rules
“India”	the Republic of India

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## DEFINITIONS

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“International Offer Shares”	the 56,250,000 Shares initially being offered by us for subscription under the International Offering together, where relevant, with any Shares that may be issued by us pursuant to any exercise of the Offer Size Adjustment Option, subject to reallocation as described in the section headed “Structure of the Global Offering” of this prospectus
“International Offering”	the conditional placing of the International Offer Shares by the International Underwriters with professional, institutional, corporate and/or other investors at the Offer Price, as further described in the section headed “Structure of the Global Offering — The Global Offering” of this prospectus
“International Underwriters”	the underwriters of the International Offering
“International Underwriting Agreement”	the conditional international underwriting agreement relating to the International Offering expected to be entered into by, among others, our Controlling Shareholders, our executive Directors, the International Underwriters and our Company on or about the Price Determination Date
“Ipsos”	Ipsos Sdn. Bhd., an Independent Third Party and a market research firm engaged by the Company to prepare an industry report, the details of which are set out in the section headed “Industry overview” of this prospectus
“Ipsos Report”	the market research report prepared by Ipsos
“Johor”	a Malaysian state located in the southern region of peninsular Malaysia
“Joint Bookrunners”, “Joint Global Coordinators” and “Joint Lead Managers”	Alliance Capital Partners Limited and Upbest Securities Company Limited
“Kenya”	the Republic of Kenya
“Kwoon Chung Bus”	Kwoon Chung Bus Holdings Limited, an Independent Third Party, a provider of non-franchised bus services in Hong Kong

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## DEFINITIONS

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“Land Transport Authority”	the Land Transport Authority of Singapore
“Latest Practicable Date”	23 October 2016
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which dealing of our Shares on the Main Board of the Stock Exchange first commence, which is expected to be on or around Friday, 11 November 2016
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel to the Growth Enterprise Market of the Stock Exchange
“MAN”	MAN Truck & Bus AG, or its group companies, a provider of commercial vehicles with its headquarters in Munich, Bavaria, Germany
“Maturity Date”	means the due date of the Exchangeable Bonds
“Memorandum”	the memorandum of association of our Company, and as amended from time to time, a summary of which is set out in Appendix V to this prospectus
“Mercedes-Benz”	a global brand automobile manufacturer with headquarters in Germany, a division of Daimler AG
“Mr. CY Pang”	Mr. Pang Chong Yong (彭中庸), co-founder of our Group, our Controlling Shareholder, an executive Director and chief executive officer of the Company, cousin of Mr. SW Phang, uncle of Mr. Peter Phang and Ms. Shyan Phang

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## DEFINITIONS

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“Mr. Peter Phang”	Mr. Phang Jyh Siong (彭志祥), our general manager, son of Mr. SW Phang, brother of Ms. Shyan Phang and nephew of Mr. CY Pang
“Mr. SW Phang”	Mr. Phang Sun Wah (彭新華), co-founder of our Group, our Controlling Shareholder, an executive Director, chairman of the Board, cousin of Mr. CY Pang and father of Mr. Peter Phang and Ms. Shyan Phang
“Ms. Chew”	Ms. Chew Shi Moi, the wife of Mr. SW Phang and the mother of Mr. Peter Phang and Ms. Shyan Phang
“Ms. Shyan Phang”	Ms. Phang Huey Shyan (彭慧嫻), our chief corporate officer, an executive Director, daughter of Mr. SW Phang, sister of Mr. Peter Phang and niece of Mr. CY Pang
“Offer Price”	the final offer price per Offer Share (exclusive of a brokerage fee of 1.0%, an SFC transaction levy of 0.0027% and a Stock Exchange trading fee of 0.005%) of not more than HK\$1.42 and expected to be not less than HK\$1.20, such price to be agreed upon by our Company and the Joint Global Coordinators (on behalf of the Underwriters) on or before the Price Determination Date
“Offer Shares”	the Hong Kong Public Offer Shares and the International Offer Shares
“Offer Size Adjustment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters, at their sole and absolute discretion pursuant to which our Company may be required to allot and issue up to an aggregate of 9,375,000 additional Shares (representing in aggregate up to 15% of the Offer Shares initially being offered under the Global Offering) at the Offer Price subject to the terms of the International Underwriting Agreement, details of which are described in the section headed “Structure of the Global Offering” of this prospectus

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## DEFINITIONS

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“Operating Companies”	Gemilang Coachwork and Gemilang Singapore
“PM’s Deed of Non-Competition”	the deed of non-competition dated 20 July 2016 given by Mr. Peter James Murley in favour of our Company, particulars of which are set out in the section headed “History, Reorganisation and corporate structure — PM’s Deed of Non-competition given by Mr. Peter James Murley” of this prospectus
“Pre-IPO Investments”	the subscription for the Exchangeable Bonds by the Pre-IPO Investors pursuant to the Subscription Agreements
“Pre-IPO Investors”	the First Pre-IPO Investor, the Second Pre-IPO Investor and the Third Pre-IPO Investor
“Price Determination Date”	the date, expected to be on or around Friday, 4 November 2016, but no later than Monday, 7 November 2016, on which the Offer Price is fixed for the purposes of the Global Offering
“Principal”	the principal amount of the Exchangeable Bond
“P&P Excel”	P&P Excel Car Air-Conditioning Sdn. Bhd., a company incorporated with limited liability under the laws of Malaysia, the issued share capital of which is owned as to 50% by Mr. Pang Siew Siam and as to 50% by Mr. Pang Siew Way, both being the brothers of Mr. CY Pang
“P&P Excel Tech Engineering”	P&P Excel Tech Engineering Sdn. Bhd., a company incorporated with limited liability under the laws of Malaysia, the issued share capital of which is owned as to 50% by Mr. Pang Siew Siam and as to 50% by Mr. Pang Siew Way, both being the brothers of Mr. CY Pang
“Rapid Bus Sdn. Bhd.”	a bus transportation operator in Malaysia, an Independent Third Party
“Rapid KL”	a service brand used by Rapid Bus Sdn. Bhd. for public transportation services dedicated to the Klang Valley area
“Rapid Kuantan”	a service brand used by Rapid Bus Sdn. Bhd. to operate stage bus services in Kuantan, Pahang state, Malaysia

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## DEFINITIONS

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“Regal Motors”	Regal Motors, Ltd., a retailer and distributor of commercial vehicles and a purchasing agent of a chassis principal in Hong Kong and Macau
“Regulation S”	Regulation S under the Securities Act
“Reorganisation”	the reorganisation of our Group in preparation for the Listing, details of which are set out in the section headed “History, Reorganisation and corporate structure” of this prospectus
“SBS Transit”	SBS Transit Ltd, a company incorporated in Singapore with limited liability, an Independent Third Party, whose principal business is in public transportation operation and whose shares are listed on the main board of the Singapore Exchange Securities Trading Limited
“Second Exchangeable Bond”	the exchangeable bond in the principal amount of HK\$5,000,000 issued by Gemilang International in favour of the Second Pre-IPO Investor dated 29 April 2016
“Scania”	Scania AB, a global commercial vehicle manufacturer, with its headquarters in Sweden
“Second Pre-IPO Investor”	Venture Glory Enterprises Limited, a company incorporated in the BVI with limited liability, an Independent Third Party
“Securities Act”	the United States Securities Act of 1933, as amended from time to time
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary shares of HK\$0.01 each in the share capital of our Company



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## DEFINITIONS

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“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 21 October 2016, a summary of principal terms of which is set out in the section headed “Statutory and general information — Share option scheme” in Appendix VI to this prospectus
“Singapore”	the Republic of Singapore
“Singapore’s Road Traffic Act”	the Road Traffic Act, Chapter 276 of the laws of Singapore as amended from time to time
“SMRT”	SMRT Corporation Ltd, an Independent Third Party, a company incorporated in Singapore with limited liability listed on the main board of the Singapore Exchange Securities Trading Limited, whose principal business is in rail operations, maintenance and engineering as well as in bus, taxi and automotive services
“Sole Sponsor”	Alliance Capital Partners Limited, a corporation licensed to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, the sole sponsor to the Global Offering
“Southeast Asia”	a sub-region of Asia, consisting of the countries that are geographically south of China, east of India, west of New Guinea and north of Australia
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement(s)”	the three subscription agreements entered into on 27 April 2016, 27 April 2016 and 25 May 2016 between Gemilang International and the Pre-IPO Investors in respect of the Exchangeable Bonds issued by Gemilang International

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## DEFINITIONS

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“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Sun Wah”	Sun Wah Investments Limited, a company incorporated on 18 February 2016 in the BVI with limited liability, the entire issued share capital of which is owned by Mr. SW Phang
“SW Excel”	SW Excel Tech Engineering Sdn. Bhd., a company incorporated with limited liability under the laws of Malaysia, the issued share capital of which is owned as to 50% by Mr. Pang Siew Siam, and as to 50% by Mr. Pang Siew Way, both being the brothers of Mr. CY Pang
“Sweden”	the Kingdom of Sweden
“Switzerland”	Swiss Confederation
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by SFC, as amended, supplemental or otherwise modified from time to time
“Thailand”	the Kingdom of Thailand
“The Philippines”	the Republic of the Philippines
“Third Pre-IPO Investor”	Pioneer Luck Holdings Limited, a company incorporated in Samoa with limited liability, an Independent Third Party
“Third Exchangeable Bond”	the exchangeable bond in the principal amount of HK\$5,000,000 issued by Gemilang International in favour of the Third Pre-IPO Investor dated 1 June 2016
“Track Record Period”	the three years ended 31 October 2015 and the six months ended 30 April 2016
“Underwriters”	the Hong Kong Underwriters and the International Underwriters

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## DEFINITIONS

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“Underwriting Agreements”	the International Underwriting Agreement and the Hong Kong Underwriting Agreement
“Uzbekistan”	the Republic of Uzbekistan
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“Vietnam”	the Socialist Republic of Vietnam
“Volvo”	Aktiebolaget Volvo, a global automobile manufacturer with its headquarters in Sweden, an Independent Third Party
“ <b>WHITE</b> Application Form(s)”	the form(s) of application for the Hong Kong Public Offer Shares for use by members of the public who require such Public Offer Shares to be issued in an applicant’s own name
“ <b>YELLOW</b> Application Form(s)”	the form(s) of application for the Hong Kong Public Offer Shares for use by members of the public who require such Hong Kong Public Offer Shares to be deposited directly into CCASS

*In this prospectus, the terms “associate”, “close associate”, “connected person”, “core connected person”, “connected transaction”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.*

*Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

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## GLOSSARY OF TECHNICAL TERMS

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*This glossary contains explanations of certain terms used in this prospectus in connection with us and our business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.*

“ADRs”	The Australian Design Rules, national standards of Australia for vehicle safety, anti-theft and emissions
“AU\$” or “Australian Dollars”	Australian dollars, the lawful currency of Australia
“bus”	collectively means city bus and coach
“bus body”	the body structure or superstructure of a bus to be mounted onto a chassis
“CAGR”	compound annual growth rate, a measurement of growth rate over a period of time
“CAD”	computer aided design
“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
“chassis”	the underframe structure of buses (or vehicles in general), bearing the loads (such as the engine, axes, suspensions etc.), onto which the bus body superstructure is mounted
“chassis principal(s)”	our reputable international chassis manufacturers with well-known brand names, including Scania, MAN, Mercedes-Benz and Volvo
“CHF”	Swiss Franc, the lawful currency of Switzerland

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## GLOSSARY OF TECHNICAL TERMS

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“CIF”	cost, insurance and freight, a term in international commercial law where the seller arranges for the carriage of goods by sea to a port of destination and provide the buyer with the documents necessary to obtain the goods from the carrier. The passing of risks from the seller to the buyer occurs when the goods are unloaded from the carrier at the port of destination
“city bus”	means a type of transit bus used for relatively short distances with multiple stops, usually within defined areas in suburban and urban areas and is primarily used as a local public transport on the road network within a designated city or town
“coach”	buses designed for long distance travel
“EcoRange System”	previously known as Alcan Bus Systems, and was renamed as EcoRange System in 2003, the proprietary system developed by Alesa Alusuisse Engineering Ltd., for the design, construction, assembly, manufacture and series production of bus bodies superstructure in an advanced technology and design, optimised for quick and easy assembly of parts, composite elements and profiles by means of riveted, bolted or glued corner connecting parts
“ERP software”	enterprise resource planning software, a category of business-management software
“Euro”	the official currency of the Eurozone
“FEA”	Finite Element Analysis, a numerical technique for finding approximate solutions to boundary value problems for partial differential equations

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## GLOSSARY OF TECHNICAL TERMS

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“FOB”	free on board, a term in international commercial law where the seller arranges transportation of the goods to the port of shipment, and the buyer arranges for the carriage of goods by sea and other transportation to the final destination. The passing of risks from the seller to the buyer occurs when the goods are loaded on board at the port of shipment.
“GFA”	gross floor area
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Malaysian Ringgit” or “MYR”	means the lawful currency of Malaysia
“purchasing agent”	includes dealer or agent of chassis principal
“RVCS”	Road Vehicle Certification System, an online system maintained by the Department of Infrastructure and Regional Development of the Australian government which allows vehicle manufacturers to electronically certify that the vehicles they supply to the Australian market meet prescribed safety standards specified in the ADRs
“S\$” or “SGD” or “Singapore Dollars”	Singapore dollars, the lawful currency of Singapore
“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
“UNECE” or “ECE”	United Nations Economic Commission for Europe
“USD” or “US\$” or “US Dollars”	US dollars, the lawful currency of the United States of America
“sq.ft.”	square feet

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## GLOSSARY OF TECHNICAL TERMS

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“sq.m.” square metre(s)

“%” per cent.

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and plans for the development of existing and new businesses, our ability to implement such strategies and plans, and the expected timetable of such implementation;
- our financial condition;
- our dividend distribution plans;
- our ability to maintain our competitiveness and operational efficiency;
- the prospects of our business and operations, including development plans for our existing and new businesses;
- the regulatory environment, as well as the general industry outlook, for the bus body manufacturing and bus assembly industry in Singapore and Malaysia;
- capital market development;
- certain statement in the sections headed “Industry overview”, “Regulations”, “Business”, “Financial information”, “Relationship with the Controlling Shareholders” and “Future plans and use of proceeds” with respect to trends in interest rates, exchange rates, prices, volumes, operations, margins, risk management and overall market trend; and
- other factors that are described in the section headed “Risk factors” of this prospectus.

The words “aim”, “anticipate”, “believe”, “contemplate”, “continue”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “potential”, “predict”, “project”, “schedule”, “seek”, “should”, “target”, “will”, “would” and the negatives forms of these terms, as well as similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Hence, should one or more of these risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary



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## **FORWARD-LOOKING STATEMENTS**

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materially from those described herein as anticipated, believed, estimated or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. We undertake no obligation to publicly update or revise any forward-looking statements contained in this prospectus, whether as a result of new information, future events or otherwise, except as required by applicable laws, rules and regulations. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of or references to the intentions of our Company or those of any of our directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

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## RISK FACTORS

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*You should carefully read and consider all of the risks and uncertainties described below before deciding to make any investment in our Shares. Our business, financial conditions or results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties and you may lose all or part of your investment as a result.*

**Our top five customers accounted for a substantial portion of our revenue and we have no long-term supply contract/purchase commitments from them**

The aggregate revenue generated from our top five customers for the years ended 31 October 2013, 2014, 2015 and the period up to 30 April 2016 accounted for approximately 88.4%, 90.8%, 86.9% and 92.2% of our total revenue respectively. Our largest customer, a purchasing agent for an international chassis principal in Singapore who has been engaged in major public transportation projects, accounted for approximately 54.4%, 33.1%, 59.1% and 60.3% of our total revenue for the years ended 31 October 2013, 2014, 2015 and the six months ended 30 April 2016, respectively.

In line with market practice, we neither have long-term supply contracts nor long-term purchase commitment from our customers. We are engaged by our customers on a project-by-project basis. As such, there is no guarantee that our customers will continue to engage us with the same volume of business, or at all, in the future. The securing of business from our customers depends on factors such as market demand for our products, quality of our products, and level of competition in the industry. The percentage of revenue we receive from our largest customer has fluctuated from period to period due to various factors, and will likely continue to fluctuate in the future.

We cannot assure you that we will be able to maintain the existing relationships with our top five customers. Our top five customers are not obligated in any way to continue to provide us with new businesses in the future at a level similar to that in the past or at all. Should any of these top customers were to reduce substantially the size of their purchase orders placed with us or to terminate their business relationship with us entirely, there can be no assurance that we would be able to secure new businesses from other customers to compensate for such reduction in purchase order size or loss of business entirely. In addition, there can be no assurance that new businesses secured from other customers for replacement, if any, would be on commercially comparable terms. As such, our operations and financial performance may be adversely affected.

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## RISK FACTORS

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**Should our efforts to maintain a high level of customer satisfaction be unsuccessful, we may not be able to attract or retain customers**

Customer satisfaction in both our products and our after-sales services is critical to the success of our business. If our customers express dissatisfaction with the quality of our products and that of our after-sales services, such as the discrepancies in products' specifications and our delayed response time in providing after-sales services, then we are required to address such issues adequately to our customers' satisfaction. To the extent that if such dissatisfaction is inadequately addressed and becomes widespread, our reputation may be adversely affected and our relationship with existing customers may deteriorate. This may result in our inability to attract or retain customers and in turn may negatively affect our business and results of operations.

**There is no assurance that our chassis principals will continue to succeed in their tender process and thereby ensuring us continuous orders**

A significant portion of our orders is obtained from the chassis principals or their purchasing agents, who obtained their contracts through competitive tendering. There is no guarantee that, in the future, the chassis principals and their purchasing agents will continue to succeed in the tender process or maintaining comparable tender success rates. During the Track Record Period, 69.6%, 64.3%, 89.9% and 91.3% of orders we secured were from chassis principals or their purchasing agents for the respective years ended 31 October 2013, 2014, 2015 and six months ended 30 April 2016. Therefore, we must put in continuous effort, through maintaining good relationship with the chassis principals and their purchasing agents, to remain in their list of preferred suppliers in order to secure contracts from them, failing which our business could be significantly hindered and our future financial results would be consequently affected.

In addition, as our Directors are aware, most of the bus transportation operators conduct regular evaluation on their suppliers (both chassis principals and bus manufacturers) on aspects like standards of management, industrial expertise, financial capability, reputation and compliance with regulatory guidelines and standards. There is no guarantee that we or the chassis principals will be able to continue being selected by the bus transportation operators upon their evaluation. Furthermore this year, the tending process in Singapore, one of our major markets, has become more centralised. These may have an adverse effect on our business operations, financial results and profitability.

If the chassis principals were required to tender on less favourable terms, we also may be required to lower our prices in order to increase the competitiveness of their tenders. As such, this may affect our profit margins if we are unable to reduce our costs accordingly. This may in turn adversely affect our financial results.

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## **RISK FACTORS**

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### **We have net current liabilities and high gearing ratio as at 31 October 2013, 2014 and 2015 and 30 April 2016**

As of 31 October 2013, 2014 and 2015 and 30 April 2016, we had net current liabilities of US\$3.41 million, US\$2.92 million, US\$1.30 million and US\$1.93 million, respectively. Please see section headed “Financial information — Net current liabilities and selected items of combined statements financial position” of this prospectus.

In addition, as at 31 October 2013, 2014 and 2015 and 30 April 2016, our gearing ratios were approximately 392.5%, 394.7%, 220.7% and 163.4% respectively. Please refer to the section headed “Financial information — Key financial ratios” of this prospectus for further details.

Our net current liabilities and high gearing ratios expose us to liquidity risk. Our future liquidity, the payment of trade and other payables and the repayment of our outstanding debt obligations as and when they become due will primarily depend on our ability to generate adequate operating cash flows and our ability to obtain adequate financing. We may continue to record net current liabilities, which may limit our operating working capital for the purpose of operations or future capital expenditures which may materially and adversely affect our business, financial condition and results of operations. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs, we may need to rely on additional external fundings. If adequate funds are not available, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, financial condition and results of operations may be materially and adversely affected. High gearing ratio may have the following impacts: including but not limited to (i) increase in the finance costs or expose us to interest rate risk which will reduce our net profit; (ii) limit our ability to source or raise additional funding; (iii) increase our business risk if there is any adverse change in the economy or industry conditions.

### **Our success depends on the continuing efforts of our senior management team and other key personnel**

Our success depends heavily upon the continuing services of the members of our senior management team, in particular our two founders Mr. SW Phang and Mr. CY Pang, who have extensive experience in the bus body manufacturing and bus assembly industry. They are instrumental in establishing long-term relationship with our customers and suppliers. We believe that the management’s collective industry expertise and experience, relationships with our employees and our customers as well as management skills of our senior management are crucial to our success. If one or more of our senior executives or other personnel are unable or unwilling to continue to contribute to us due to various reasons such as resignation or health, we may not be able to recruit suitable candidates to succeed them which in turn may disrupt our operations and hence profitability.

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## **RISK FACTORS**

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Furthermore, Mr. SW Phang, Mr. CY Pang and Ms. Shyan Phang of the Board and Mr. Peter Phang of the senior management are family members. Failing relationships among the family members can hinder the smooth operations of our business which will adversely affect our operations and financial results.

### **We source aluminium extrusions solely from Constellium and we rely on EcoRange System in manufacturing our aluminium bus bodies superstructure**

We source aluminium extrusions solely from Constellium for manufacturing our aluminium bus bodies superstructure. Our relationship with Constellium started in 2001 when we started to apply the EcoRange System by virtue of being a sub-contractor of a joint venture of our two founders, which was granted a licence to use the technology in Malaysia. The rights under the licence, as stipulated under the Constellium Licence Agreement, were transferred to Gemilang Coachwork in 2010. The licence involves the related transfer of technology, rendering technical assistance and supply of materials for the design and manufacture of aluminium bus bodies' superstructure. We rely heavily on the use of the EcoRange System in our production and the aluminium bus bodies manufactured under it are generally well-accepted by our customers. As a result, during the Track Record Period and up to the Latest Practicable Date, we have differentiated ourselves from other buses manufacturers by adopting EcoRange System in our production of aluminium bus bodies.

There is no guarantee that we will be able to maintain our relationship with Constellium or that Constellium would continue to develop the EcoRange System. In the event that the licence on EcoRange is terminated or altered for any reasons or that Constellium alters their supply of aluminium extrusion to us, the sales volume of our aluminium buses and bus bodies will be adversely affected. Please also refer to the section headed "Business — Our customers" of this prospectus.

### **We are reliant on the availability of bus transportation operators' orders**

Our buses are ultimately used by bus transportation operators and as such, our success is dependent on the performance of these bus transportation operators. Our business performance is generally affected by the number and availability of the bus transportation operators' projects including the development of new routes and/or replacement of existing fleets. The number of availability of such projects is in turn affected by various factors, including the budget and financial positions of the bus transportation operators, their expectation of life expectancies of the existing fleets, viability of new routes and the changes in the government policies. There is no assurance that the bus transportation operators will continue to generate new orders in the future or continue to place orders with us. In the event that the demand of buses decreases as a result of the decrease in orders from the bus transportation operators, which may adversely and materially affect our business in general and our results of operations. We must also put in continuous effort to maintain good relationship with the bus transportation operators in order to remain in their list of preferred suppliers, failing which our business and future financial results could be adversely affected.

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## **RISK FACTORS**

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### **Our business is dependent on our skilled work force**

Our production process relies heavily on our skilled work force. Our ability to maintain high quality customer services and after-sales services is also dependent on the continuous service of, and our ability to attract, train, motivate and retain our skilled work force such as engineers and technicians. There can be no assurance that a work slowdown, work stoppage or strike will not occur in the future, as a result of, among others, our workers' desire for higher wages, increased benefits or improvements in working conditions.

There is also no assurance that we will be successful in retaining and recruiting suitably qualified workers in sufficient numbers and in time for our existing and future operations at reasonable cost or at all, and any prolonged shortage of labour could materially and adversely affect our operations, relationship with customers, our market reputation and financial results. Any significant increase in labour costs could adversely affect our margins and profitability if we are not otherwise able to raise the prices of our products. Any increase in the selling prices of our products may also affect the demand of such products, and we may not be able to pass on the increased cost to customers by increasing the selling prices of our products due to the competitive market condition. Under such circumstances and unless we are able to identify and employ other appropriate means to reduce our cost of production, our profit margin may decrease and our financial results may be adversely affected.

### **Insurance coverage for our business, products and properties may not be sufficient**

We purchase and maintain insurance policies in accordance with the needs of our business operations. However, we cannot guarantee that our insurance policies will provide adequate coverage should we face extraordinary occurrences or natural disasters that result in losses. For example, we do not carry any insurance for business interruption or loss of profit arising from industrial accidents at our manufacturing facility or other disruptions of our operations such as demonstrations and protests by residents living in close proximity to our facility.

### **We are subject to significant product safety risks as our products are used by the general public on a daily basis**

Our products are used by the general public on a daily basis. We may face product liability claims from our customers or the general public in the event that the use of our products results in personal injury, property damage or other losses. We carry product liability insurance for our products but the coverage is limited to a fixed amount which may not be sufficient for covering all the product liability raised by our customers and/or the general public. If legal proceedings for product liability are instituted against us, we may have to spend significant resources and time to defend ourselves. The successful assertion of product liability claims against us could require us to pay significant

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## **RISK FACTORS**

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monetary damages and/or subject us to recall our products. If any such claims are made, our reputation may also be adversely affected, which may lead to loss of market share, and our business, results of operations, financial condition and future prospects could be materially and adversely affected. In addition, we may be the target of investigation or claims if any accident happened relating to the buses manufactured or assembled by us even if such accident was not caused by any defects in our products. The costs and resources required to assist in the investigation or defend such claims may be substantial.

**We occasionally warrant our products for a longer period than the warranty period given by some of the suppliers of the components that constitute our products**

We grant warranties to our customers for our products and different components that form part of our products such as doors, air-conditioners, cash receipt printers and passenger information system displays. We occasionally warrant our products including the components for a longer period of time than the warranty period given by the suppliers of some of these components. In the event that our customers make warranty claims against us after the expiry of warranty period on certain components we received from the suppliers, we may be obligated to repair or replace such components for our customers at our expense without a right to make back-to-back warranty claims against the suppliers of these components. We may also be liable for monetary losses if we are requested to compensate in respect of these warranty claims raised by our customers, in which case we will be unable to recover such losses from the suppliers and by bearing such losses, our profit margin may be adversely affected.

**Our products are subject to changes in legislative requirements and laws in the respective jurisdictions where our products are sold**

Our products are used in various countries. As product safety is a major requirement of our industry, we are subject to stringent legislative requirements and relevant laws in the jurisdictions where our products are being sold. Any changes in the foreign government's policies and measures that are unfavourable to us may have an adverse effect on our production process and also our sales and profitability. We have to also ensure that all components that form parts of our products comply with such legislative or legal requirements. As such, we may incur costs in complying with the relevant legislative requirements and laws which may change from time to time. In addition, should we be unable to comply with the new legislation or amendments expeditiously, this may materially and adversely affect our business, results of operations, financial condition and future prospects.

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## RISK FACTORS

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### **We depend on our existing production facility and are subject to risks relating to the operation of our production facility**

Any disruptions to our current production facility or that of our subcontractors, both of which are located in Johor, Malaysia, arising from major events such as new governmental policies, general labour disputes, changes in policies of employing foreign labour will cause material disruptions to our production, which in turn will affect our profitability. In the event that our existing production facility is forced to be relocated, we would have to incur extra relocation costs, operate in a different production environment or be subject to temporary production stoppage which subsequently may affect our operation, including the possible failure to meet delivery deadline specified by our customers.

Moreover, although we have prepared for contingencies through redundancy plans and disaster/business recovery plans, such preparation may not be sufficient as our production depends on uninterrupted operations. Our production facility faces the risk of operational breakdowns caused by accidents including but not limited to mechanical breakdowns and operator errors. Any interruption in, or prolonged suspension of any part of our production at, or any damage to or destruction of, our production facility arising from unexpected or catastrophic events or otherwise may prevent us from supplying products and services to our customers, which in turn may result in a material adverse effect to our business and operations.

Any operational breakdown may pose a risk of injury or damage to persons, the property of others or the environment, which in turn could lead to considerable financial costs and may also have legal consequences. In particular, if we are to incur a significant liability for which we have not maintained sufficient insurance coverage, we might not be able to finance the amount of the uninsured liability, and might be obligated to divert a significant portion of cash flow from normal business operations. Consequently, our business, financial condition and results of operations may be materially and adversely affected. During the Track Record Period, there were two reported incidents. For details, please refer to the section headed “Business — Employment and safety — Work safety” of this prospectus. There were no accidents causing death or serious bodily injury in our business operations during the Track Record Period and up to the Latest Practicable Date.

In addition, any breakdown or suspension of our production or failure to supply our products and services to our customers in a timely manner may result in breach of contract and loss of sales, as well as expose us to liability and the requirement to pay compensation under the relevant agreements, leading to lawsuits and damages to our reputation, which could have a material and adverse effect on our business, financial condition and results of operations.



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## **RISK FACTORS**

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Moreover, as our production process involves the use of tools, equipment and machinery which are potentially dangerous, industrial accidents resulting in personal injuries or even deaths may occur. We cannot assure that industrial accidents at our production facility, for whatever reason, will not occur in the future. In such an event, we may be held liable for the personal injuries or deaths and subject to monetary losses, fines or penalties or other forms of legal liability as well as business interruptions caused by equipment shutdowns, government investigation and implementation or imposition of additional safety measures.

### **Prices of our raw material may be subject to cyclical fluctuations**

Aluminium is the principal raw material used significantly in the production of bus bodies and buses. The usage of aluminium accounted for approximately 13.4%, 21.6%, 22.4% and 29.6% of our total cost of sales for the years ended 31 October 2013, 2014, 2015 and six months ended 30 April 2016, respectively. We solely source aluminium extrusions for bus body superstructures from Constellium, who also supports our production through their proprietary EcoRange System. The quality of the aluminium extrusions supplied by Constellium is consistent but the price is determined with reference to the prevailing aluminium market price. The aluminium prices may fluctuate due to unpredictable market conditions which may in turn affect the prices of aluminium extrusions.

Fluctuation of aluminium market price has been affected by different factors, including general market sentiment of the commodities and geopolitical factors affecting major aluminium producing countries. It is our practice to price our products whereby the cost of the aluminium extrusions is passed on to the customers. However, as there is time lag between pricing of our products and our actual purchase of aluminium extrusions products, there is no guarantee that our purchase price will not be significantly higher than the price we had quoted. In such event, we will not be able to pass on such incremental cost to the customers. In line with the industry practice, we have not entered into any hedging transactions and have not adopted any hedging policies to reduce our exposure to fluctuations in prices of raw materials. As a result, we may be exposed to fluctuations in raw materials prices, in particular aluminium. If these events were to occur, they could have an adverse effect on our profitability and cash flow.

### **There is no assurance that aluminium will continue to be one of the key materials for superstructures**

There is no assurance that aluminium will continue to be one of the key materials used for bus body superstructures in the future. New materials and technology may be developed for the production of bus body superstructure of buses and cause change in preference and trend in the materials used on bodies of buses. If the above happens, we may lose our competitive advantages in the event that we fail to adapt to the changes in material and/or fail to source for the supply of the new material and technology. As a result, our business and consequently our financial performance will be adversely affected if we fail to react swiftly and adjust to such trend.

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## **RISK FACTORS**

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### **We are subject to tax audit and investigation in Malaysia**

In 2015, the Malaysian Inland Revenue Board (“MIRB”) had initiated a tax investigation on Gemilang Coachwork, our major operating subsidiary, for the years of assessment 2010 to 2014. Gemilang Coachwork was informed by MIRB that Gemilang Coachwork had excessive claims on its allowance for significant increase in export by approximately US\$227,000 (approximately MYR890,000) during the year of assessment 2012 which was brought forward for utilisation in year of assessment 2013. As a result, Gemilang Coachwork, by reference to a tax opinion from a tax expert, made provision for the estimated amount of approximately US\$71,000 in the Group’s financial information for the six months ended 30 April 2016 to satisfy the additional tax and penalty as settlement of tax investigation by MIRB. The settlement was confirmed and approved by the letter from MIRB dated 21 August 2016. Please refer to Notes 9 headed “Income tax in the combined statement of profit or loss and other comprehensive income” of the Accountant’s Report of the Group in Appendix IA and the section headed “Business — Legal proceedings and compliance — Non-compliances” of this prospectus for details.

Malaysian tax regime is based on a self-assessment system. Persons chargeable including companies in Malaysia have legal obligations to make self-assessment on the tax payable and file necessary tax returns annually with their remittance of tax. MIRB is empowered by the Malaysian Income Tax Act 1967 to carry out audit and investigation on persons chargeable to determine, inter alia, whether their tax returns are accurate and complete. The Malaysian Income Tax Act 1967 also empowers MIRB to impose additional tax and/or penalties on persons chargeable if MIRB determines that the persons chargeable are in fact subject to more tax payables than are reported in the self-assessed tax returns.

We calculate the amount of our taxes and make payment thereof in accordance with the applicable tax laws. Although we use our best endeavours in giving attention to the tax calculation, including having engaged a tax agent to assist us, we may be subject to additional taxes or penalty if MIRB have a different view from us with respect to our self-assessed tax payables in our filed tax returns. As we may be subject to tax audit and investigation by MIRB from time to time, in the event that MIRB imposes additional tax or penalty on Gemilang Coachwork, our profit margin may decrease and consequently our financial results may be adversely affected.

### **Foreign currency fluctuations could materially and adversely affect our financial results**

Our Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables, cash and loan balances that are denominated in a currency, other than the functional currency of the operations to which the transaction relates.

In addition, the reporting currency of our Group is in US Dollars, which is different from the functional currency of each member of our Group respectively. Any significant movement of the US Dollars against the Malaysian Ringgit, Singapore Dollars or Australian Dollars may have an adverse and material impact on our financial results due to foreign currencies translation.

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## **RISK FACTORS**

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For the years ended 31 October 2013, 2014, 2015 and six months ended 30 April 2016, approximately 63.1%, 53.6%, 75.5% and 90.3% of our revenue are in foreign currencies respectively. Such revenue was from our buses produced in Malaysia for export denominated in foreign currencies. However, we pay certain of our production costs and expenses in Malaysian Ringgit. Since we do not have any hedging policy to manage the exchange rate risk, any significant movement of Malaysian Ringgit against US Dollars and other foreign currencies may significantly affect the revenue recorded in the consolidated accounts of our Group.

For further details, please refer to the section headed “Financial information — Factors affecting our results of operations and financial condition — Fluctuations in foreign currency exchange rates” of this prospectus.

### **Our quality assurance system may be subject to implementation risk**

An effective quality assurance system is critical to the success of our business given the inherent nature of our products. The effectiveness of our quality assurance system in turn depends on a number of factors, including the design of our quality assurance procedures, our quality assurance and training programmes and our ability to ensure that our employees and the contract workers are committed to adhere to our quality assurance policies and guidelines. We cannot guarantee that our quality assurance system will be absolutely effective in maintaining our product quality, and any failure to do so could have a material adverse effect on our business, results of operations and financial condition.

### **Some of our customers have certain product lines in competition with us**

Some of our customers have their own bus assembly facilities or bus and bus bodies manufacturing operation. This may give rise to potential competition with us and result in reduction or total cessation of orders from them. If any of the above happens, our business and performance would be materially adversely affected.

### **Any trade or import protection policies may affect our business**

We have exported our products to foreign countries, including Singapore, Hong Kong, the PRC, Australia and India. We derive significant sales from exporting to these countries, and therefore, if there is any change to the import protection policies in these countries, our business and financial results would be materially and adversely affected.

In the event that any of these countries which we export to imposes trade sanctions on Malaysia or enforces import restriction or tariffs in relation to buses or coaches, the customers in such countries may choose other suppliers to avoid the import control imposed by their countries and as a result, our business and operations may be adversely affected.

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## RISK FACTORS

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### **Our Controlling Shareholders have substantial influence over our management and the Controlling Shareholders' interest may not be aligned with the interests of our other Shareholders**

Our Controlling Shareholders hold a substantial interest in us, and they may take actions that may conflict with the interests of our other shareholders. Immediately following the Global Offering, our Controlling Shareholders will beneficially own approximately 65.66% of our outstanding Shares, assuming the Offer Size Adjustment Option is not exercised. Accordingly, our Controlling Shareholders will be able to influence our overall strategic and investment decisions, dividend plans, issuances of securities and adjustments to our capital structure, and will be able to control the election of our directors and, in turn, indirectly control the selection of our senior management.

### **If we fail to collect our trade receivables, our financial condition, in particular our cash flows, may be materially and adversely affected**

We generally grant a credit period ranging from 30 to 90 days to our customers. We assess and provide such credit terms on a case-by-case basis, taking into consideration factors such as order size, creditworthiness and prior dealings history.

During the Track Record Period, we recorded significant amounts of trade and other receivables. We also made provisions for certain trade receivables we deemed uncollectable. As at 31 October 2013, 2014 and 2015 and 30 April 2016, we had trade receivables of US\$2.8 million, US\$9.6 million, US\$7.3 million and US\$6.2 million, respectively. In addition, as at 31 October 2013, 2014 and 2015 and 30 April 2016, US\$166,000, US\$271,000, US\$467,000 and US\$647,000, respectively, of our allowance for impairment losses on trade receivables were provided. For the year ended 31 October 2013, 2014, 2015 and six months ended 30 April 2016, our turnover days for trade receivables were 42, 64, 72 and 68 days, respectively. Please refer to the section headed “Financial information — Significant accounting policies and estimates — Trade and other receivables” of this prospectus. We cannot assure you that we will be able to collect all trade receivables from all of our customers in full or in a timely manner, and our failure to do so may have a material adverse effect on our cash flows and financial condition. In addition, we may incur expenses relating to the collection of our trade receivables, such as through legal proceedings.

### **We may not be able to obtain adequate financing on commercially reasonable terms to fund our future development**

We have, in general, relied on bank loans and other external financing as well as cash generated from our operations to fund our business and expect that our funding needs will grow as our business develops and expands.




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## RISK FACTORS

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We require significant working capital for the purchase of raw materials in our operations. The access to financing on commercially reasonable terms is of particular importance to the growth of our business. In addition, the rise in interest rates could have a negative impact on the margin between our borrowing costs and our sales, which could in turn have an adverse impact on the profit margin of our business. If we are unable to obtain financing in a timely manner or on commercially reasonable terms, or if there is a material increase in our borrowing costs, our business and results of operations may be affected and the implementation of our business development plans might be delayed.

### **Our failure to register certain trademarks could have a material adverse effect on our business, results of operations and financial condition**

We have submitted trademark applications with the relevant trademark authorities in Hong Kong and Malaysia for the trademarks of “” and “” and we have also submitted trademark application with the relevant trademark authorities in Australia for the trademark of “”. We have not made trademark registration in other jurisdictions. If any of our trademark applications is rejected eventually or if any third party makes any trademark claims against us before the trademarks are formally registered with the relevant authorities and is successful, we may be ordered to pay damages to the claimant and may have to obtain relevant licences from third parties to avoid further infringements. We may not be able to obtain these licences at a reasonable cost, if at all. Intellectual property litigation against us could be substantially costly and time-consuming to defend and could result in significant disruption to our business and diversion of our management’s attention from business concerns. We may also be required to expend significant resources to redevelop our brands including without limitation switching to a new trademark so that we do not infringe third-party intellectual property rights. As a result, our failure to register the trademarks in Australia could have a material adverse effect on our business, financial condition and results of operations.

### **Our ability to receive dividends and other payments from our subsidiaries may be restricted and could have a material adverse effect on our business, results of operations, financial conditions and future prospects**

Our Company is a holding company incorporated in the Cayman Islands and we conduct our operations through our subsidiaries in Malaysia and Singapore. We will rely on our subsidiaries for our future cash needs, including the funds necessary to pay dividends and other cash distributions to our shareholders, to service any debt that we may incur and to pay our operating expenses of such amounts, particularly in respect of our subsidiaries in the Malaysia and Singapore through which a substantial portion of our Group’s operations are carried out.

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## RISK FACTORS

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The Central Bank of Malaysia or Bank Negara Malaysia, established under the now repealed Central Bank of Malaysia Act 1958 but continued to exist under the Central Bank of Malaysia Act 2009, assumes the primary function of, amongst others, to formulate and conduct monetary policy in Malaysia and to provide oversight over money and foreign exchange markets. By the power vested by the Financial Services Act 2013, the Central Bank of Malaysia issued foreign exchange administration notices which, amongst others, regulate the remittance of funds from and into Malaysia. As at the Latest Practicable Date, non-residents are free to remit divestment proceeds, profits, dividends or any income arising from investments in Malaysia provided such repatriation of funds are made in foreign currency.

The Financial Services Act 2013 empowers Bank Negara to issue any directions in relation to international or domestic transactions, which may affect repatriation of funds. There is no assurance that the relevant rules and regulations on foreign exchange control in Malaysia will not change. Any future restriction on repatriation of funds may limit our ability to repatriate dividends or distributions to our Company and could have a material and adverse effect on our business, results of operations, financial condition and future prospects.

In addition to Malaysia, we conduct operations in Singapore and are subject to the laws and regulations, government policies and economic, social and political conditions of the jurisdiction.

There can be no assurance that we will declare or distribute any dividend on the Offer Shares. We cannot guarantee whether and when any dividends will be paid in the future. For further details, please refer to the section headed “Financial Information — Financial risk management objectives and policies — Foreign currency risk” of this prospectus.

### **No assurance that our future plans will materialise**

Details of our business plan are set out in the section headed “Future plans and use of proceeds” of this prospectus. Our Group’s future business plans are based on assumptions, which include future events which may be beyond our control and consequently are subject to uncertainty. There can be no assurance that our Group’s future plans will materialise, or result in the conclusion or execution of any agreement in accordance with our planned timeframe, or that the objectives of our Group will be fully or partially accomplished. Our Group’s result of operation may be adversely affected if our Group fails to accomplish any of our future plans or is unable to do so in a timely manner.

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## RISK FACTORS

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**Our financial performance for the year ending 31 October 2016 and 2017 will be negatively affected by the Listing expenses incurred in connection with the Global Offering**

Our financial results for the year ending 31 October 2016 and 2017 will be affected by non-recurring expenses in relation to the Listing. The estimated expenses in relation to the Listing are approximately HK\$26.94 million (approximately US\$3.47 million). Our Group expects to recognise approximately HK\$18.16 million (approximately US\$2.34 million) in the consolidated statement of comprehensive income and to deduct the remaining of approximately HK\$8.78 million (approximately US\$1.13 million) from our Company's capital reserves. Whether or not the Listing eventually occurs, a major portion of the Listing expenses will have been incurred and recognised as expenses, which will reduce our net profit and therefore may negatively affect our financial performance for the financial years ending 31 October 2016 and 2017. In addition, if the Listing were to be postponed due to market conditions, we would also need to incur additional Listing expenses, which would further affect our future net profit negatively. As a result, our business, financial performance, results of operations and prospect would be materially and adversely affected.

### **RISKS RELATING TO OUR INDUSTRY**

**If we are unable to timely respond to changes in technology and industry standards, we may not be able to effectively compete in the market**

The bus manufacturing industry has been subject to the rapid technological changes both in the chassis and body design due to competition and demand by the bus transportation operators. The technological changes in particularly chassis and engine development has placed a great challenge on body builders to update its production methodology and manufacturing process in order to keep up with the changes.

There can be no assurance that we will be successful in responding to these changes. New technologies may render our existing production methodologies or manufacturing process less competitive. If we fail to adapt to technological changes and evolving industry standards in an efficient and timely manner, we may not be able to continue to effectively serve our customers' needs, and our business, results of operations and financial condition may be materially and adversely affected.

In particular, in the event that Constellium is unable to modify EcoRange System which we adopt in our manufacturing process for bus bodies superstructure to keep up with the technological changes or fails to provide solutions to keep up with the market trend, we may need to modify our business model by seeking out other suppliers or strategic partners which can supply bus body superstructure system that would be as compatible and competitive as EcoRange System. We may also need to adopt a revised marketing approach and strategy to adjust to the changes. In such circumstances, there is no guarantee that we can successfully modify our business model or marketing strategy in order to maintain our business. These may have an adverse and material impact on our business.

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## RISK FACTORS

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### **We may be adversely affected by fluctuations in the global economy and financial markets**

The global economic slowdown since the end of 2009 have had a negative and prolong impact on the global economy, which in turn has affected many industries, including ours. Continued weakness in the global economy, could lead to another global economic downturn and financial market crisis, which could reduce demand for our products. Any such negative macroeconomic developments could adversely affect our business, results of operations, financial condition and future prospects.

### **RISKS RELATING TO CONDUCTING BUSINESS IN MALAYSIA**

#### **Change in foreign workers policies may adversely affect our business, results of operations and financial condition**

As at Latest Practicable Date, approximately 61.3% of our labour force in Malaysia are foreign workers. Any shortage in the supply of foreign workers or restriction on the number of foreign workers that we can employ, will adversely affect our operations in Malaysia. The supply of foreign workers is subject to the policies decided by the Malaysian Government. Any future changes to the foreign workers employment policies in Malaysia may adversely affect our ability to employ foreign workers. Under such event, if we are unable to find suitable replacements, our production activities and hence, our revenue and profits would be adversely affected.

#### **Any changes in the Malaysia's economic, political and social conditions, as well as any changes in government policies, could materially and adversely affect our business, results of operations, financial condition and future prospects**

Our major assets and business operations are located in Malaysia. Therefore, our business, results of operations, financial condition and future prospects are significantly exposed to the economic, political and legal developments in Malaysia. We cannot assure you that the Malaysian government will continue to maintain the current economic policies or pursue economic and political reforms. Specifically, our business and operating results could be materially and adversely affected by changes in Malaysian Government's regulations concerning production restrictions, price controls (such as price fixing), export controls, taxation, ownership and expropriation of property, environmental or health and safety issues.

In addition, our business and operating results could be materially and adversely affected by: (i) import restriction; (ii) Malaysian laws, regulations and policies affecting the bus manufacturing industry; (iii) industrial disruptions; or (iv) economic slowdown.

#### **Our principal operating subsidiary is incorporated in Malaysia and a significant portion of our assets are located in Malaysia. It could be difficult to enforce a foreign judgment against our Malaysian subsidiary, our Directors or our executive officers**

Our principal operating subsidiary is incorporated under the laws of Malaysia and our major assets are located in Malaysia. Enforceability of certain foreign judgments in Malaysia is by virtue of the Reciprocal Enforcement of Judgments Act 1958, in which a foreign judgment permitted by the said Act must be registered before it can be enforced.



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## **RISK FACTORS**

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As a result, it could be difficult to enforce a foreign judgment against our Malaysian subsidiary, our Directors and our executive officers.

### **RISKS RELATING TO THE GLOBAL OFFERING**

#### **There has been no prior public market for our Shares and an active trading market may not develop after the Global Offering**

Prior to the Global Offering, there has been no public market for the Shares. There is no guarantee that an active trading market for the Shares will develop or be sustained upon completion of the Listing. The Global Offering does not guarantee that an active trading market for the Shares will develop, or if it does develop, that it will be sustained following the Global Offering, or that the market price of the Shares will not decline following the Global Offering.

#### **The liquidity and market price of our Shares may be volatile, which could result in substantial losses for Shareholders**

The market price and liquidity of the Shares may be highly volatile. There are a number of factors which may affect the market price of the Shares, and these factors include, but are not limited to, changes in our income or cash flows, new investments and strategic alliances. Any such developments may result in large and sudden changes in the volume and market price at which the Shares will be traded. There is no guarantee that these developments will or will not occur in the future and it is difficult to quantify the impact on our Group and on the liquidity and market price of the Shares. Further, changes in the market price of our Shares may also be due to factors which may not be directly related to our financial or business performance.

#### **Shareholders' equity interests may be diluted as a result of additional equity fund-raising**

In the future, we may need to raise additional funds to finance acquisitions, expansion or new developments of our business. If funds are raised through the issue of new equity and equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the percentage ownership of the Shareholders in our Company may be reduced accordingly as a result of which Shareholders may experience dilution in their percentage shareholdings in our Company. Furthermore, it is also possible that such new securities may have preferred rights, options or pre-emptive rights that render them more valuable than or senior to the existing Shares.

#### **Dividends declared in the past may not be indicative of our dividend policy in the future**

Dividends paid in prior periods may not be indicative of future dividend payments. We cannot guarantee when, if and in what form dividends will be paid in the future. The declaration of dividend is proposed by our Board and is based on, and limited by, various factors, including, without limitation, our business and financial performance, capital and regulatory requirements and general business conditions. We may not have sufficient profits or cash flow to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable.

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## RISK FACTORS

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### **Future sale of a substantial amount of Shares by existing Shareholders may adversely affect the market price of our Shares and our ability to raise equity capital**

Any future sale of a substantial amount of our Shares by our existing Shareholders, or the possibility of such sale, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

There is no guarantee that our Substantial Shareholders or Controlling Shareholders will not dispose of the Shares held by them after the lock-up period, and the effect of which, if any, on the market price of the Shares cannot be predicted. The Shares held by our Controlling Shareholders, are subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Stock Exchange, details of which are set out in the section headed “Underwriting” of this prospectus.

It is also possible that there may be a sale of a substantial amount of Shares by any of our Substantial Shareholders or Controlling Shareholders or the perception that such sale may occur, which may materially and adversely affect the prevailing market price of the Shares.

### **RISKS RELATING TO THIS PROSPECTUS**

#### **Investors should not place undue reliance on facts, forecasts and other statistics in this prospectus relating to the economy and our industry obtained from public or official sources**

This prospectus contains facts, forecasts and other statistics relating to the economy and the industry in which we operate our business that have been derived from various publications and industry-related sources prepared by government officials or Independent Third Parties. The Directors believe that there are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. Furthermore, we have no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted.

Nevertheless, there is no assurance or we cannot make any representation as to the accuracy or completeness of such information. Such information has not been independently verified, as to their accuracy or completeness by our respective affiliates or advisers, the Sponsor, the Underwriters or any of their affiliates or advisers, and any other party involved in the Global Offering and no representation is given as to its accuracy. In particular, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. Statistics, industry data and other information relating to the economy and the industry derived from various public or governmental sources used in this prospectus may not be consistent with other information available from other sources and therefore, investors should not unduly rely upon such facts, forecasts and statistics while making investment decisions.

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## **RISK FACTORS**

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**Investors should not place undue reliance on information in this prospectus which is not factual but hypothetical in nature such as analyses based on assumptions**

Information in this prospectus which is not factual but hypothetical in nature including but not limited to any sensitivity analysis on our historical financial data is based on assumptions and is for reference only and should not be viewed as actual effect. Such information by no means reflects our Group's historical experience and financial results. Prospective investors should not place undue reliance on such information.

**Our future results could differ materially from those expressed or implied by the forward-looking statements**

The forward-looking statements included in this prospectus are based on various assumptions. There are also uncertainties, risks and other unforeseen factors which may cause our actual performance or achievements to be materially different from those expressed or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed "Forward-looking statements" of this prospectus.

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## WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

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In preparation of the Listing, we have sought the following waiver from strict compliance with the relevant provisions of the Listing Rules.

### WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily residents in Hong Kong.

Since the business operations of our Group are substantially carried out in Malaysia, members of our senior management team are and will be expected to continue to be based in Malaysia. In addition, it would be practically difficult and commercially unnecessary for us to relocate our executive Directors to Hong Kong or appoint additional executive directors who are ordinarily residents in Hong Kong.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules on the following conditions:

- (a) we have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication at all times with the Stock Exchange. The two authorised representatives are Ms. Shyan Phang and Mr. Yeung Chin Wai. We will ensure that the authorised representatives will comply with the Listing Rules at all times. The authorised representatives will provide their usual contact details to the Stock Exchange and will be readily contactable by telephone, facsimile and/or email by the Stock Exchange, if necessary, to deal with enquiries from the Stock Exchange from time to time;
- (b) each of the authorised representatives has the means to contact all the Directors (including the independent non-executive Directors) and our senior management team promptly at all times, as and when the Stock Exchange wishes to contact the Directors on any matters. We will implement a policy whereby our Directors (including independent non-executive Directors) will provide to the authorised representatives (i) their respective mobile phone numbers, residential phone numbers, fax numbers and email addresses; and (ii) valid phone numbers or other means of communication when they are travelling;
- (c) all the Directors who are not ordinarily residents in Hong Kong possess or can apply for valid travel documents to visit Hong Kong for business purposes and would be able to come to Hong Kong and, when required, meet with the Stock Exchange upon reasonable notice;

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## WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

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- (d) Alliance Capital Partners Limited, our compliance advisor (“**Compliance Advisor**”), will act as an additional channel of communication with the Stock Exchange for a period commencing from the Listing Date and ending on the date on which we distribute the annual report for the first completed financial year after the Listing in accordance with Rule 13.46 of the Listing Rules. The Compliance Advisor will provide professional advice to us on continuous compliance with the Listing Rules. We will ensure that the Compliance Advisor has prompt access to our authorised representatives and our Directors who will provide the Compliance Advisor with such information and assistance as the Compliance Advisor may need or may reasonably request in connection with the performance of the Compliance Advisor’s duties;
- (e) each Director will provide their respective mobile phone numbers, office phone numbers, e-mail addresses and facsimile numbers to the Stock Exchange; and
- (f) meetings between the Stock Exchange and our Directors could be arranged through the authorised representatives or the Compliance Advisor, or directly with our Directors within a reasonable time. We will inform the Stock Exchange as soon as practicable in respect of any change in the authorised representatives and/or the Compliance Advisor in accordance with the Listing Rules.

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# **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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## **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purposes of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this prospectus misleading.

## **UNDERWRITING**

This prospectus is published solely in connection with the Hong Kong Public Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to the agreement on the Offer Price between the Joint Global Coordinators (on behalf of the Underwriters) and our Company on or before the Price Determination Date. The Global Offering is managed by the Joint Global Coordinators. Further details of the Underwriters and the underwriting arrangements are set out in the section headed "Underwriting" of this prospectus.

## **OFFER SHARES TO BE OFFERED IN HONG KONG ONLY**

No action has been taken in any jurisdiction other than Hong Kong to permit the public offering of the Offer Shares or the distribution of this prospectus and/or Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an unauthorised offer or invitation.

Each person acquiring the Offer Shares will be required under the Global Offering and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the U.S.

### **INFORMATION ON THE GLOBAL OFFERING**

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Joint Global Coordinators, the Sole Sponsor, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” of this prospectus, and the procedures for applying for the Hong Kong Public Offer Shares are set out in the section headed “How to apply for Hong Kong Public Offer Shares” of this prospectus and on the relevant Applications Forms.

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

Application has been made to the Listing Committee for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option).

Save as disclosed herein, no part of the equity or debt securities of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be void if the listing of, and permission to deal in, our Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for our Shares to be admitted into CCASS.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Applicants should consult their professional advisors if they are in any doubt as to the tax implications of subscription for, purchasing, holding, disposing of and dealing in our Shares. It is emphasised that none of our Group, the Joint Global Coordinators, the Sole Sponsor, the Underwriters, any of their respective directors, agents or advisors or any other person involved in the Global Offering accepts responsibility for the tax effects or liabilities resulting from your subscription for, purchase, holding, disposal of or dealing in our Shares.

### **HONG KONG SHARE REGISTER AND STAMP DUTY**

All Shares issued pursuant to applications made in the Global Offering will be registered on our Company's share register of members to be maintained in Hong Kong. Our principal register of members will be maintained by our Company's principal share registrar in the Cayman Islands.

Dealings in our Shares registered in the share register of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the shareholders listed on the Hong Kong share register of our Company, by ordinary post, at the shareholders' risk, to the registered address of each shareholder.



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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **OFFER SIZE ADJUSTMENT OPTION**

In connection with the Global Offering, our Company is expected to grant to the International Underwriters the Offer Size Adjustment Option, which is exercisable in full or in part by the Joint Global Coordinators (on behalf of the International Underwriters) at any time before 5:00 p.m. on the business day before the date of announcement of the results of applications and the basis of allotment of Hong Kong Public Offer Shares, otherwise it will lapse. Pursuant to the Offer Size Adjustment Option, our Company may be required to issue at the Offer Price up to an aggregate of 9,375,000 Shares, representing 15% of the total number of Shares initially available under the Global Offering, to cover over-allocations in the International Offering, if any.

Further details with respect to the Offer Size Adjustment Option are set out in the section headed “Structure of the Global Offering — Offer Size Adjustment Option” of this prospectus.

### **PROCEDURES FOR APPLICATION FOR HONG KONG PUBLIC OFFER SHARES**

The application procedures for the Hong Kong Public Offer Shares are set out in the section headed “How to apply for Hong Kong Public Offer Shares” of this prospectus and on the relevant Application Forms.

### **REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF SHARES**

We have instructed Tricor Investor Services Limited, our Hong Kong Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any Shares in the name of any particular holder unless and until the holder delivers a signed form to our share registrar in respect of those Shares bearing statements to the effect that the holder:

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the Companies Law and our Articles of Association;
- agrees with us and each of our Shareholders that the Shares are freely transferable by the holders thereof; and
- authorises us to enter into a contract on his or her behalf with each of our Directors, managers and officers whereby such Directors, managers and officers undertake to observe and comply with.

### **STRUCTURE OF THE GLOBAL OFFERING**

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” of this prospectus.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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### ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

### EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in Hong Kong Dollars have been translated, for the purpose of illustration only, into Malaysian Ringgit and US Dollars, and vice versa, in this prospectus at the following rate:

HK\$1.90: MYR1.00

HK\$7.76: US\$1.00

No representation is made that any amounts in Malaysian Ringgit, Hong Kong Dollars or US Dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

### WEBSITE

The contents of any website mentioned in this prospectus do not form part of this prospectus.

### LANGUAGE

The English language version of this prospectus has been translated into the Chinese language and English and Chinese versions of this prospectus are being published separately. If there should be any inconsistency between the English and Chinese versions, the English version shall govern.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Mr. Phang Sun Wah (彭新華)	No. 3 (Block A) Jalan Permas 13 Bandar Permas Jaya 81750 Masai, Johor Malaysia	Malaysian
Mr. Pang Chong Yong (彭中庸)	No. 2 Jalan Austin Heights 2/5 Taman Mount Austin 81100 Johor Bahru, Johor Malaysia	Malaysian
Ms. Phang Huey Shyan (彭慧嫻)	No. 3 Jalan Kuning Muda 1 Taman Pelangi 80400 Johor Bahru, Johor Malaysia	Malaysian
<i>Independent Non-executive Directors</i>		
Ms. Lee Kit Ying (李潔英)	Flat C, 29/F Excelsior Court 83 Robinson Road Mid Level Hong Kong	Chinese
Ms. Wong Hiu Ping (黃曉萍)	Flat F, 18/F, Tower 5 8 King Ling Road Metro Town Tseung Kwan O Hong Kong	Chinese
Ms. Kwok Yuen Shan Rosetta (郭婉珊)	Flat B, 3/F Victoria Tower 25 Tin Hau Temple Road Tin Hau Hong Kong	American

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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Mr. Huan Yean San  
31, Jln Muhibbah  
Tmn Sri Setia  
80300 Johor Bahru, Johor  
Malaysia

For further information, please refer to the section headed “Directors, senior management and staff” of this prospectus.

### PARTIES INVOLVED IN THE GLOBAL OFFERING

#### **Sole Sponsor**

#### **Alliance Capital Partners Limited**

Room 1502-03A, 15/F  
Wing On House  
71 Des Voeux Road Central  
Hong Kong

#### **Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers**

#### **Alliance Capital Partners Limited**

Room 1502-03A, 15/F  
Wing On House  
71 Des Voeux Road Central  
Hong Kong

#### **Upbest Securities Company Limited**

2/F Wah Kit Commercial Centre  
302 Des Voeux Road Central  
Hong Kong

#### **Co-lead Managers**

#### **Bonus Eventus Securities Limited**

Room 1707, 17th floor  
Tower II, Admiralty Centre  
18 Harcourt Road, Admiralty, Hong Kong

#### **Caitong International Securities Co., Limited**

Unit 2401-03, 24/F, Grand Millennium Plaza  
181 Queen’s Road Central  
Hong Kong

#### **First Shanghai Securities Limited**

19/F., Wing On House  
71 Des Voeux Road Central  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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**Fulbright Securities Limited**

33/F, COSCO Tower, Grand Millennium Plaza  
183 Queen's Road Central  
Hong Kong

**Somerley Capital Limited**

20/F, China Building  
29 Queen's Road Central  
Hong Kong

**Legal advisers to our Company**

*As to Hong Kong law:*

**Ma Tang & Co. Solicitors**

3rd Floor, Chinese Club Building  
21-22 Connaught Road Central  
Hong Kong

*As to Cayman Islands law:*

**Conyers Dill & Pearman**

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*As to Malaysia law:*

**Zul Rafique & Partners**

D3-3-8, Solaris Dutamas  
No.1, Jalan Dutamas 1  
50480 Kuala Lumpur  
Malaysia

*As to Singapore law:*

**Dentons Rodyk & Davidson LLP**

80 Raffles Place  
#33-00 UOB Plaza 1  
Singapore 048624

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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*As to Australia law:*

**Lavan Legal**

The Quadrant  
1 William Street, Perth  
Western Australia 6000

**Legal advisers to the Underwriters**

*As to Hong Kong law:*

**Howse Williams Bowers**

27/F, Alexandra House  
18 Chater Road  
Central  
Hong Kong

*As to Malaysia law:*

**Ilham Lee**

Suite 7.1C, Level 7, Work@Clearwater  
Changkat Semantan, Damansara Heights  
50490 Kuala Lumpur  
Malaysia

**Auditor and Reporting Accountants**

**Crowe Horwath (HK) CPA Limited**

9/F, Leighton Centre  
77 Leighton Road  
Causeway Bay  
Hong Kong

**Internal control consultant**

**BDO Financial Services Limited**

25th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

**Property valuer**

**American Appraisal China Limited**

Rooms 701 & 708-710, Gloucester Tower  
The Landmark, 15 Queen's Road Central  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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**Industry consultant**

**Ipsos Sdn. Bhd.**  
18th Floor, Menara IGB  
No. 2, The Boulevard, Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur  
Malaysia

**Tax consultant**

**RSM Tax Consultants (Malaysia) Sdn. Bhd.**  
5<sup>th</sup> Floor, Penthouse, Wisma RKT  
Block A, No. 2, Jalan Raja Abdullah  
Off Jalan Sultan Ismail  
50300 Kuala Lumpur, Malaysia

**Compliance Advisor**

**Alliance Capital Partners Limited**  
Room 1502-03A, 15/F  
Wing On House  
71 Des Voeux Road Central  
Hong Kong

**Receiving bank**

**Bank of Communications Co., Ltd. Hong Kong  
Branch**  
20 Pedder Street  
Central  
Hong Kong

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## CORPORATE INFORMATION

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<b>Registered office in the Cayman Islands</b>	Cricket Square Hutchins Drive PO Box 2681, Grand Cayman KY1-1111, Cayman Islands
<b>Principal place of business in the Malaysia</b>	Ptd 42326, Jalan Seelong, Mukim Senai 81400 Senai, Johor, West Malaysia
<b>Place of business in Hong Kong registered under Part 16 of the Companies Ordinance</b>	3 <sup>rd</sup> Floor, Chinese Club Building 21-22 Connaught Road Central Hong Kong
<b>Company website</b>	<u><a href="http://www.gml.com.my">www.gml.com.my</a></u> (information contained in this website does not form part of this prospectus)
<b>Company secretary</b>	Mr. Yeung Chin Wai, CPA Flat 6C, Hung Wai Building, 5 Fa Yuen St Kowloon, Hong Kong
<b>Compliance Officer</b>	Ms. Phang Huey Shyan No. 3, Jalan Kuning Muda 1, Taman Pelangi 80400 Johor Bahru, Johor, Malaysia
<b>Authorised representatives</b>	Mr. Yeung Chin Wai, CPA Flat 6C, Hung Wai Building, 5 Fa Yuen St Kowloon, Hong Kong  Ms. Phang Huey Shyan No 3, Jalan Kuning Muda 1, Taman Pelangi 80400 Johor Bahru, Johor, Malaysia
<b>Audit committee</b>	Mr. Huan Yean San ( <i>Chairman</i> ) Ms. Kwok Yuen Shan Rosetta Ms. Wong Hiu Ping
<b>Remuneration committee</b>	Ms. Kwok Yuen Shan Rosetta ( <i>Chairman</i> ) Ms. Wong Hiu Ping Mr. Pang Chong Yong



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## CORPORATE INFORMATION

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**Nomination committee**

Mr. Phang Sun Wah (*Chairman*)  
Ms. Kwok Yuen Shan Rosetta  
Ms. Wong Hiu Ping

**Principal share registrar and  
transfer office**

**Codan Trust Company (Cayman) Limited**  
Cricket Square  
Hutchins Drive  
PO Box 2681, Grand Cayman  
KY1-1111, Cayman Islands

**Hong Kong Share Registrar**

**Tricor Investor Services Limited**  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

**Principal bankers**

**Malayan Banking Berhad**  
Level 14, Menara Maybank  
100 Jalan Tun Perak, 50050 Kuala Lumpur  
Malaysia

**CIMB Bank Berhad**  
Level 13, Menara CIMB  
Jalan Stesen Sentral 2  
Kuala Lumpur Sentral  
50470 Kuala Lumpur  
Malaysia

**OCBC Bank (Malaysia) Berhad**  
47, 49 Jalan Molek 1/29  
Taman Molek  
81100 Johor Bahru, Johor  
Malaysia

**RHB Bank Berhad**  
2nd Floor, No. 35 & 37, Jalan Permas 10/2  
Bandar Baru Permas Jaya  
81750 Masai, Johor  
Malaysia

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## **CORPORATE INFORMATION**

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**Standard Chartered Bank Malaysia Berhad**

Level 15, Menara Standard Chartered  
30 Jalan Sultan Ismail  
50250 Kuala Lumpur  
Malaysia

**Compliance Advisor**

**Alliance Capital Partners Limited**

Room 1502-03A, 15/F  
Wing On House  
71 Des Voeux Road Central  
Hong Kong

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## INDUSTRY OVERVIEW

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*The information in the section below has been partly derived from various publicly available government sources, market data providers and other independent third party sources. In addition, this section and elsewhere in the prospectus contains information extracted from the Ipsos Report, for the inclusion in this prospectus. We have no reason to believe that such information is false or misleading in any material respects or that any fact has been omitted that would render such information false or misleading in any material respects. The information has not been independently verified by our Directors, the Sole Sponsor, the Joint Global Coordinators, the Underwriters or any of their respective directors, affiliates, advisers, officers or representatives or any party involved in the Global Offering, other than Ipsos with respect to the information contained in the Ipsos Report and no representation is given as to its fairness, correctness and accuracy. Accordingly, you should not place undue reliance on such information or statistics.*

*The information extracted from the Ipsos Report reflects estimates of market conditions based on samples, and is prepared primarily as a market research tool. References to Ipsos should not be considered as the opinion of Ipsos as to the value of any security or the advisability of investing in our Group. Our Directors believe that the sources of information extracted from the Ipsos Report are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information.*

### SOURCE OF INFORMATION

We commissioned Ipsos, an independent market research company and consulting company, to conduct an analysis of, and to report on the industry, developments trends and competitive landscape of the bus and bus body manufacturing industry in Malaysia and Singapore and for a period from 2010 to 2020 for a fee of MYR159,000. We considered that the payment of the commission fee does not affect the fairness of conclusions drawn in the Ipsos Report. Our Directors are of the view that the information set forth in this section is reliable and not misleading as the information was extracted from the Ipsos Report and Ipsos is an independent professional market research company with extensive experience in their profession. Ipsos is part of Ipsos SA which was founded in Paris, France in 1975 and was listed on the Paris stock exchange (NYSE Euronext Paris) since 1999. In October 2011, Ipsos SA acquired Synovate Limited and has become the third largest research company in the world which employs approximately 16,000 personnel worldwide across 85 countries. Ipsos conducts research on market profiles, market size, share and segmentation analysis, distribution and value analyses, competitor tracking and corporate intelligence.

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## INDUSTRY OVERVIEW

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The information contained in the Ipsos Report is derived by means of data and intelligence gathering which include: (i) primary and secondary research obtained from numerous sources within the global, Malaysia and Singapore bus and bus manufacturing industry; (ii) primary research involved interviewing leading industry participants and secondary research involved reviewing publicly available documents, company reports, independent research reports and Ipsos's proprietary database built up over the past decades. In addition, intelligence gathered has been analysed, assessed and validated using Ipsos' in-house analysis models and techniques.

The following assumptions and parameters are used in the Ipsos Report when analysing the market:

- Available published data for the automotive industry, vehicle sales, vehicle production by Malaysia Automotive Association (MAA), Ministry of Transport Malaysia and Department of Statistics Malaysia
- Available published data of the automotive industry, vehicle sales, vehicle production by the Land Transport Authority and Department of Statistics Singapore
- Available published data of the automotive industry, vehicle sales, vehicle production by China Association of Automobile Manufacturers and National Bureau of Statistics China
- Available published data of the automotive industry, vehicle sales, vehicle production by Hong Kong Department of Transport
- Available published data of the automotive industry, vehicle sales, vehicle production by Australian Bureau of Statistics
- Available published trade data on the economy and related industries
- All calculations for market sizing incorporate information from published records and estimations based on Ipsos analysis

In addition, analyses, projections and data relating to future periods in the Ipsos Report are based on the following bases and assumptions:

- General growth of the economy in accordance to published data
- Trends in consumer expenditure and population growth in accordance to published data

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## **INDUSTRY OVERVIEW**

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### **NO ADVERSE CHANGE IN MARKET INFORMATION**

Our Directors confirm that, to the best of their knowledge, after taking reasonable care, there is no material adverse change in the market information since the date of the Ipsos Report or the date of the relevant data contained in the Ipsos Report which may qualify, contradict or have an impact on the information in this section.

### **OVERVIEW OF THE MALAYSIA AND SINGAPORE ECONOMIC ENVIRONMENT**

Malaysia's GDP recorded a growth of 4.7% to 7.4% from 2010 to 2015 and is forecasted to grow at a rate of 4.8% to 5.0% from 2016-2020. Malaysia's business friendly regulatory environment and relatively high per capita income provide growth opportunities. The economy has recently begun to transit toward being driven by domestic demand and is well placed to withstand any global capital markets turmoil, thanks to its strong regulatory institutions, flexible exchange rates and high international reserves level.

Singapore's GDP recorded a growth of 3.4% to 15.2% from 2010 to 2015 and is forecasted to grow at an average rate of 2.4% from 2016-2020. Singapore's economy is widely known as a successful trade dependent and free market economy. Its economy is based on a proactive approach to attract foreign investment through its trade liberalisation. Factors that have contributed to the success of Singapore's economy include transparency in its regulatory system and a sustained corruption free business environment. These developments have led Singapore to successfully draw in continuous foreign investment and to be recognised as easiest country to conduct business in.

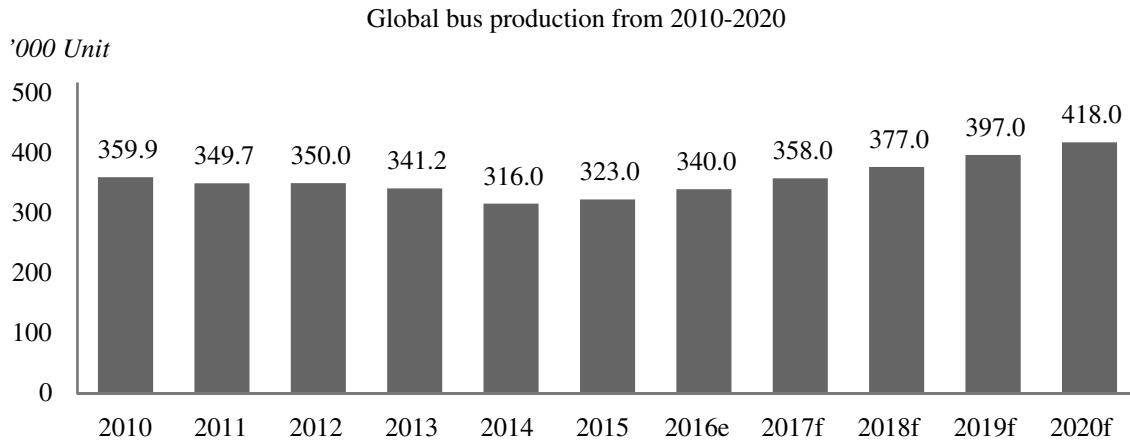
### **OVERVIEW OF BUS AND BUS BODY MANUFACTURING INDUSTRY**

Global demand for buses is projected to advance on an average of 5.3% annually to 418,000 units in 2020. The Asia/Oceania region will remain as the dominant market, while the Africa region will grow the slowest. The number of buses in use worldwide is expected to exceed approximately 8 million units by 2020.

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## INDUSTRY OVERVIEW

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Source: Secondary research and Ipsos analysis

The Asia-Oceania region was the largest estimated market for the production of buses and coaches in 2015, sharing approximately 79.5% of the market volume. In countries such as China and India, where car-ownership is low, demand for public transportation is high. Thus, demand for buses is expected to grow in this region.

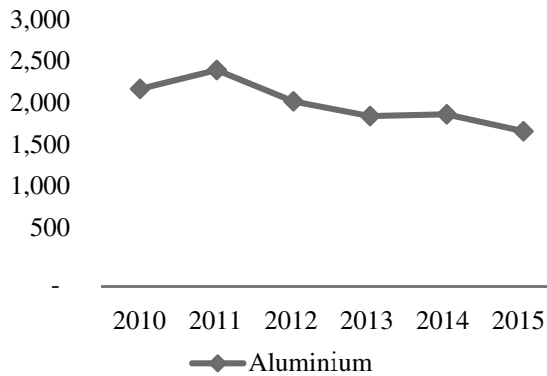
### General outlook of key raw materials

Although in general, the industry uses steel as its main material for the manufacturing of bus and bus bodies, aluminium material is seen to gain credibility in recent years. Over the years, with many countries having to place importance on carbon dioxide emission standards, bus and bus body manufacturers are pressured to use materials that fits environmental standards. Aluminium, as compared to other metals is lighter in weight and is resistant to corrosion. As such more and more bus and bus manufacturers are using aluminium in their bus structures. With the rising interest for zero emission zones, fast charging and lightweight infrastructure, the prospects of using aluminium as one of the main materials in buses and its bodies remain bright for the coming years.

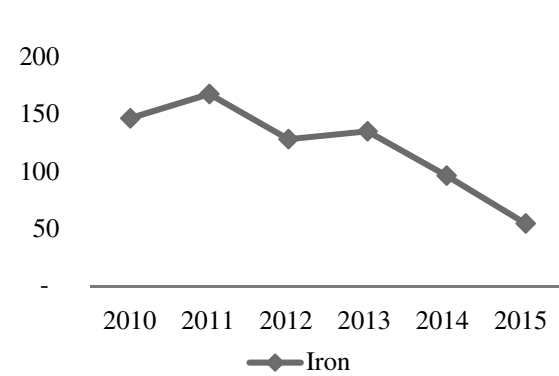
In general, iron, steel and aluminium are the main raw materials used for the manufacturing of bus and bus bodies. As a result of volatile global environment, change in oil price, etc, global prices for aluminium dropped from USD2,173 per metric tonne in 2010 to USD1,665 per metric tonne in 2015, at a CAGR of -5.2%. For the same period of time, global prices for iron also dropped from USD147 per metric tonne in 2010 to USD55 per metric tonne in 2015 at a CAGR of -17.8%.

## INDUSTRY OVERVIEW

USD per metric tonne



USD per metric tonne



Source: Secondary research and Ipsos analysis

### Market landscape of global aluminium extrusion suppliers

Aluminium extrusion is a method in which aluminium alloy billets are heated to a certain degree of heat and later are subjected to the extrusion process. Aluminium extrusions are used in many sectors, such as transportation, electrical, construction, machinery, and others, due to their high strength, flexibility, and durability. In general, there are many suppliers in the industry offering comparable solutions and aluminium extrusions in the respective areas. The table below depicts brief profiles of selected suppliers in the market based on available information.

#### Major

#### Suppliers /

Vendors	Profile information	Estimated Revenue for the year 2015
Constellium	<ul style="list-style-type: none"> <li>— Incorporated in 2010, based in Amsterdam, Constellium is one of global's leading producers of aluminium extrusion products.</li> <li>— Constellium provides a broad range of aluminium products and solutions for aerospace, automotive and packaging materials.</li> </ul>	<ul style="list-style-type: none"> <li>— Approximately US\$6.0 billion.</li> <li>— Among the total revenue, approximately 26% was from aerospace and transportation, approximately 20% was from automotive structures industry and approximately 54% was from others.</li> </ul>

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## INDUSTRY OVERVIEW

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### Major

#### Suppliers /

#### Vendors

Vendors	Profile information	Estimated Revenue for the year 2015
Alternative supplier A	<ul style="list-style-type: none"> <li>— Founded in 1888, New York, alternative supplier A engineers and provides lightweight metal solutions and products (i.e. aluminium, nickel and titanium) for industries such as automobiles, aircrafts, packaging, building construction and industrial application.</li> <li>— Products of alternative supplier A include metal extrusions (i.e hard alloy extruded aluminium, extruded forgings and specialty metals).</li> </ul>	<ul style="list-style-type: none"> <li>— Approximately US\$23.0 billion.</li> <li>— Among the total revenue, approximately 28% was from rolled products, approximately 8% was from transportation and construction solutions, and approximately 64% was from others.</li> </ul>
Alternative supplier B	<ul style="list-style-type: none"> <li>— Established in 1963, Norway, alternative supplier B provides aluminium solutions mostly to the automotive industries.</li> <li>— Products of alternative supplier B include extrusions (i.e. soft alloy products), precision tubing and building systems.</li> </ul>	<ul style="list-style-type: none"> <li>— Approximately US\$7.0 billion.</li> <li>— Among the total revenue, approximately 76% was from extrusion products, approximately 11% was from precision tubing and approximately 13% was from building systems.</li> </ul>

*Source: Secondary research; this list is not exhaustive and is subjected to information available at point of study*

### Bus and bus body manufacturing market analysis

#### 1) Malaysia

Malaysia has one of the most developed automotive industries in the South-East Asian Nations (ASEAN) and will remain as a pivotal market for motor vehicles and parts in 2016 to 2020. Vehicle sales grew from 660,031 units in 2010 to reach approximately 735,235 units in 2015 (of which 63,449 units, approximately 8.6% are commercial vehicles and the remaining are passenger vehicles), at an average growth rate of 2.3% per year from 2010 to 2015. Vehicle sales is expected to rise close to 889,400 units by 2020 at an average growth rate of 3.9% per year, as government policies continue to aim at raising competitiveness and making Malaysia a centre for energy-efficient vehicles. Nevertheless, Malaysian vehicle producers will encounter increasingly stiff competition from imports as a result of economic integration in ASEAN.



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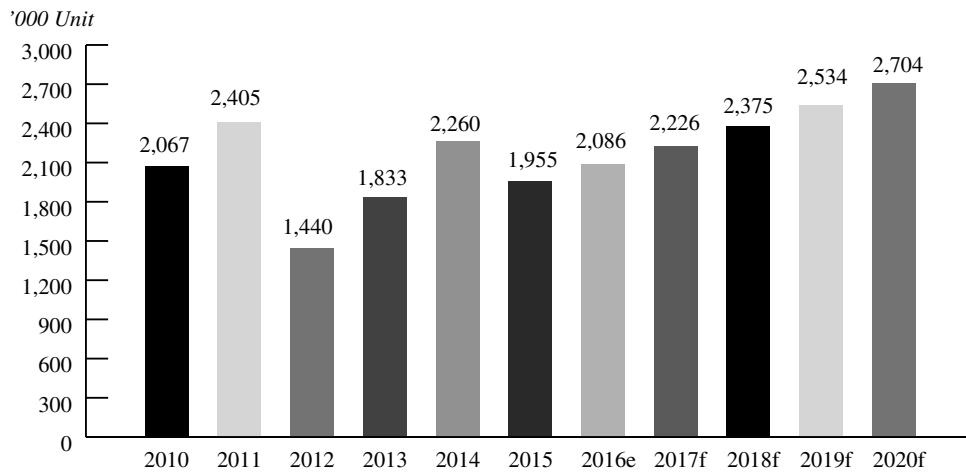
## INDUSTRY OVERVIEW

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### Bus

From 2010 to 2014, buses accounted to an average 2.6% of yearly commercial vehicles sales in Malaysia. In 2015, approximately 1,955 new buses were registered, accounting to approximately 3.1% of commercial vehicle sales for the same year.

**Bus sale from 2010 to 2020**



Source: Ministry of Transport Malaysia and Ipsos analysis

With the lift of regulatory control in bus fares, on-going infrastructure spending and government efforts to improve the country's public transport network, the demand for buses seems to be positive. In addition, the removal of government fuel subsidies, which will then encourage public-transport use, is expected to boost bus sales for the next 5 years, with an average growth rate of 6.7% from 2016 to 2020.

### Coachwork manufacturing<sup>(Note)</sup>

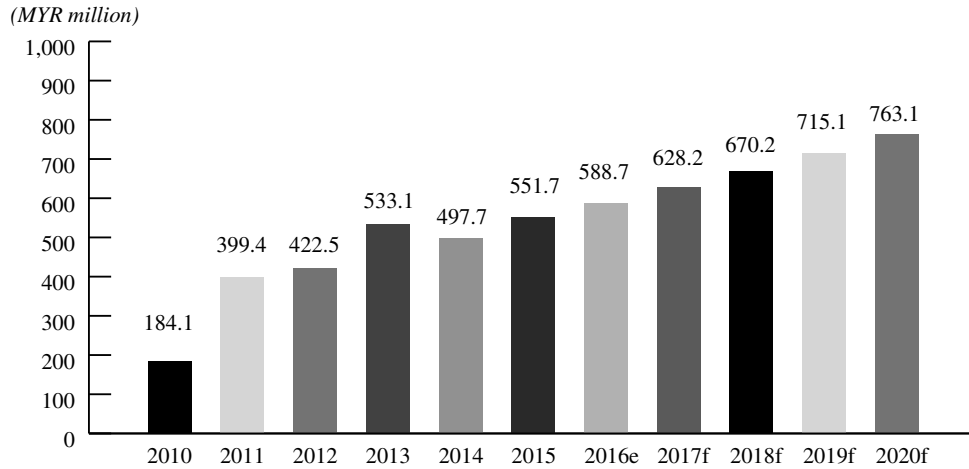
The coachwork manufacturing industry in Malaysia grew from MYR184.1 million (approximately USD58.9 million) in 2010 to approximately MYR551.7 million (approximately US\$148.1 million) in 2015, at a CAGR of approximately 24.5%. With bus sales expected to increase in the next five years, the coachwork manufacturing industry is expected to grow in tandem to meet the demand for new buses nationwide. Thus, it is expected that the coachwork manufacturing industry will grow from MYR551.7 million (approximately US\$148.1 million) in 2015 to reach MYR763.1 million (approximately US\$230.8 million) by 2020, representing a CAGR of approximately 6.7%.

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# INDUSTRY OVERVIEW

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## Coachwork manufacturing from 2010 to 2020



*Note:* The value of coachwork manufacturing in this section refers to value for manufacture of bodies (coachwork) for motor vehicles, manufacture of trailers and semi-trailers, which also include manufacturing of steel and aluminium bus bodies

*Source:* Department of Statistics Malaysia, secondary research and Ipsos analysis

### 2) Singapore

Singapore's automotive industry makes only minor contribution to the country's economy, with its vehicle demands entirely met by imports. Vehicle sales grew from 52,737 units in 2010 to reach approximately 78,609 units in 2015, at an average growth of 5.2% per year from 2010 to 2015. Vehicle sales are expected to decline close to 47,900 units by 2020 at an average negative growth rate of 9.4% per year, mainly attributed by the decline in passenger vehicles segment as the authorities aim to control congestion in the city state by imposing vehicles quotas and to keep the number of cars on the road low.

#### *Bus*

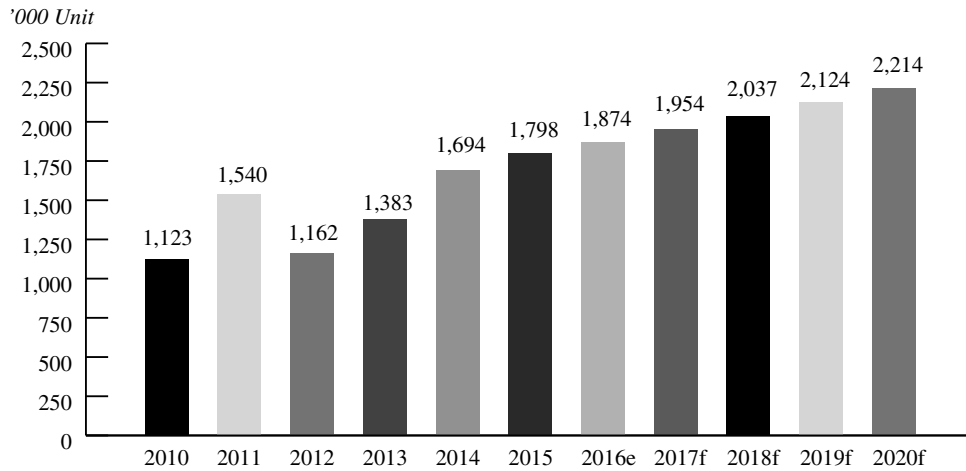
However, demand for buses in Singapore is expected to increase as bus utilisation has grown with an average of 4.3% per year from 2010 to 2014. Total passengers are estimated to reach approximately 3.9 million people by 2015. Thus, with bus utilisation expected to increase, bus sales are expected to increase in tandem to meet the demand for bus usage in the country. It is expected that total bus sales will increase from 1,798 units in 2015 to 2,214 units in 2020, an average growth rate of 4.3% per annum from 2016 to 2020.

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## INDUSTRY OVERVIEW

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### Bus sale from 2010 to 2020



Source: Secondary research and Ipsos analysis

### 3) China

China remains one of the world's largest automotive markets and automotive manufacturing countries since early 2010 and in 2015, total production and sales of vehicles in units both exceeded 20 million units. However, the demand for commercial vehicles in the PRC is expected to slightly decrease from 2015 with the Chinese government taking the country's growing air pollution problems more seriously. But it is expected that the production of buses in China is likely spurred by the production of electrical buses and the total production of buses will increase from 593,400 units of buses in 2015 to approximately 913,000 units in 2020, at an average growth rate of 9.0% per annum from 2016 to 2020.

Unlike its car market, China's bus industry is home grown; a situation that the intense levels of support given to local brands magnifies its product segments such as public city buses. Although demand for buses in China is expected to increase by 9.0% over 2016 to 2020, opportunities for foreign companies remain low.

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## INDUSTRY OVERVIEW

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### 4) *Hong Kong*

A total of 12,386 units of new commercial vehicles were registered in 2015 compared to 11,386 in 2014. This was an increase of approximately 1,000 units (8.8%). The demand for commercial vehicles is expected to increase marginally as the government will soon slowly stop issuing licences for commercial vehicles unless the vehicle complies with emission standards applicable to them. In 2015, approximately 1,947 new buses were registered, accounting to approximately 14.2% of commercial vehicle sales for the same year. For the same year, total bus registered in Hong Kong reached 21,020 units, an increase of 0.7% compared to 2014.

Beyond 2014/2015, demand for buses is expected to increase as there is expected considerable investment particularly in city buses to replace older stock. In addition, demand for buses is expected to surge when the bridge between Hong Kong and Macau is expected to open sometime in 2017. These are expected to boost bus sales for the next five years, with an average growth rate of 3.0% from 2016 to 2020.

## MARKET DRIVERS AND BARRIERS OF THE INDUSTRY

### Market drivers

Demand for bus and bus body manufacturing in Malaysia is expected to grow and the drivers are stated as below:

#### *Increased global demand*

In all regions across the globe, buses remain the most widespread public transport mode. Their demand goes hand in hand with several, mostly region-specific factors, including demographics, increasing mobility of people and environmental awareness, as well as public funding. Buses comparing to other transportation modes are cheap and easy to use, since their use do not necessarily require the implementation of a specific infrastructure. This makes buses ideal vehicles for both short- and long-distance services.

There are a few trends driving the growth and demand for buses globally and these trends include: 1) the expansion in size of global urban population; 2) rising government participation and investment in public transport networks, particularly bus rapid transit systems; 3) growth in the number of private transportation companies; 4) increasing worldwide sales of electric, hybrid and compressed natural gas (CNG) models; and 5) expansion of rail transportation networks around the world. In addition, as personal income rises, passengers will increasingly expect the greater comfort, safety, and on-board services (e.g., television screens, outlets) that buses offer. Increased government investment in bus transportation networks is forecast to spur growth in transit bus sales. Many older

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## INDUSTRY OVERVIEW

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buses currently being used for public transportation will be replaced to meet the growing demand and expectations of passengers. Also, conventional transit buses will be gradually replaced with alternative fuel models. As the global economy continues to improve, sales buses will grow at a healthy pace.

### *Population growth and urbanisation*

Population size and urbanisation help to spur growth and demand for public transportation especially buses as the number of potential users would increase over time. A country that is highly urbanised is generally a good platform for passenger transportation, because urban areas are typically densely populated and demand for efficient and frequent transportation is higher. Buses are the most cost effective and widely used form of public transportation. Thus this would drive demand for buses, which will in turn provide opportunities to bus and bus body manufacturers.

### *Growth in Malaysia's economy*

Despite the challenging global economy environment, the Malaysian economy recorded an average high growth of about 4.7 to 7.4% from 2010 to 2015, supported by the continued strength in domestic demand. For the Malaysian economy, the sustained expansion in domestic activity is expected to continue to drive growth, supported by continuous private sector expansion. The stabilisation of external conditions is also expected to lend support to the economic growth prospects, thus improving consumer's confidence and spending that would assist in boosting demand for consumer and other products.

### *National Automotive Policy*

In Malaysia, the National Automotive Policy (NAP) was first introduced in 2006 as part of the government's mission to transform and integrate the local automotive industry to compete with the regional and global networks. As a result, the production of automotive is expected to grow and thus, increasing the demand for locally produced vehicles, while at the time eliminating threats from substitute products as prevalent currently.

### *Government initiatives*

The Government Transformation programme was introduced in Malaysia in 2010, with two-fold objectives; 1) to transform the nation to be more effective in delivering changes and identifying priorities that matter most to its citizens and; 2) to move Malaysia forward to become an advance and united, to meet the nation's mission of achieving vision 2020.

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Several National Key Results Areas (NKRA) were identified, one of which is improving urban public transport (led by Ministry of Transport, Malaysia). Under this NKRA, the government aims to:

- Improve reliability of public transportation and shortened journey times.
- Enhance comfort and convenience.
- Improve accessibility and connectivity such that the percentage of the population living within 400 metres of a public transport route increases from 63% to 75%.

Other countries like Singapore and Indonesia are progressively making it difficult to drive in urban centres i.e. by banning cars from some street, limited car entries for a certain period of time, introducing parking restrictions and higher charges. As urban areas are highly populated, the need and demand to efficiently move around is higher. The public will then be forced to rely heavily on public transportation to move around effectively. As buses are the most widely used form of public transportation and cost effective, demand for buses will increase, thus in turn provide opportunities to bus and bus body manufacturers.

### *Growth of electric buses*

In 2015, the total number of electric buses is 6,500 units and is estimated to exceed 21,000 units by 2020. The market for electric buses is expected to grow at an average annual growth rate of 27.0% from 2015 to 2020, with the public transportation sector being the largest adopters for electric buses.

With strong emphasis on improving transportation infrastructure and the rising interest for zero emission, fast charging and lightweight infrastructure in countries like Singapore and China, bus operators are likely to be attracted to include electric buses in their operations.

As the structure of electric buses are primarily made using aluminium material, the prospects of using aluminium as one of the main materials in buses and its bodies remain bright, with the demand for aluminium buses expected to grow in tandem with the growth and demand for electric buses.

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## INDUSTRY OVERVIEW

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### Market barriers

#### *Rising production costs*

Prices of raw materials and labour costs have been increasing in the last few years due to inflation and increased income of Malaysian residents. In order to offset the higher production costs, bus manufacturers will try to pass on the costs to clients and passengers by increasing the price of their products or fares. It is not until recently however with the lift of regulatory control in bus fares, majority of bus operators were struggling and were not able to replace old fleets with new buses and are taking measures to cut their operating cost.

#### *Alternative in public transportation*

As buses are mainly used for public transportation, the development of other public transportation infrastructure may have a negative effect on the demand for buses (e.g. rapid transit system and new high speed rail to Singapore etc.).

#### *Goods and Services Tax (GST)*

The implementation of GST may increase tax burden on consumers resulting in impact on prices, which is likely to affect consumer/customer spending.

## COMPETITIVE LANDSCAPE

### *1) Malaysia*

The market for bus and bus body manufacturing is fragmented, fairly competitive and is serviced by the different main players from across the country, each having a fraction of the market share. With the market being fragmented, industrial players are continuously 'competing' against each other to increase their market share by improving skills, technology and services provided to meet the demands of the growing industry.

Bus body manufacturers represent a significant portion of the market size in the industry and in 2014/2015 more than 50% of the coachwork manufacturing industry value was attributed from the works and manufacturing of bus bodies. There are about 23 registered bus body manufacturers in Malaysia, of which 12 are involved in coachwork manufacturing. The top five bus body manufacturers in Malaysia for 2015 respectively, ranked by estimated revenue, related market share and products or services provided are shown in the table below.

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## INDUSTRY OVERVIEW

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Rank	Company	Estimated revenue in 2015 (USD million)	% Estimated share to total industry	Products/Services
1	Company A	25.2	17.0%	Assembling and manufacturing of related parts in buses, coaches and related automotive
2	Company B	9.9	7.0%	Building of bus bodies
3	Gemilang Coachwork Sdn. Bhd.	4.6	3.0%	Designing and manufacturing bus bodies and assembling buses
4	Company C	3.1	2.0%	Manufacturing, fabrication and assembly of commercial coaches and other related services
5	Company D	2.8	2.0%	Manufacturing and fabrication of commercial vehicle bodies

*Source: Secondary research, annual reports, Ipsos analysis*

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*Notes:*

- 1) Although there are approximately 12 manufacturers involved in the manufacturing of buses and bus bodies in Malaysia, these players are also involved in the manufacturing of other automotive products in the industry (e.g. trucks, other goods vehicles etc.). Thus, the above figures only provide an indication and are not considered directly comparable due to the following reasons: a) not all market players have the same financial year end; and b) not all companies carry out activities that are completely similar to each other.
- 2) The above list of companies is selected with reference to available published revenues of present and previous years with Ipsos assumptions, which are then subsequently ranked for the purpose of market ranking comparison only.
- 3) Revenues for 2015, are estimated based on the following assumptions; a) estimated revenue for selected companies above are values for domestic market only; b) for companies with limited or none, published information on their revenues for 2015, values from the previous year is referenced in the present year, with the assumption that the industry is steadily progressing with marginal change from previous year, and with limited impact to the company's activities.



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In 2015, approximately 1,955 new buses were sold in Malaysia, accounting for approximately 3.1% of commercial vehicle sales for the year. Aluminium buses sold were estimated to be approximately 10% of the total number of new buses sold in 2015 (approximately 196 units). The company sold 65 units of aluminium buses in Malaysia for the same year. Thus in the context of aluminium buses sold in Malaysia by units, Gemilang Coachwork's market share is estimated to be approximately 33.2% in the country.

### 2) *Singapore*

The local bus manufacturing in Singapore faces stiff competition from European-made or assembled models (e.g. Malaysian assembled models), particularly when the two public transport companies in Singapore purchase mainly from either of these entities. In addition, local bus manufacturing also faces competition from Chinese imports because their cost is significantly less. Thus, local bus manufacturing industry relies mainly on the demand from private transportation operators to supplement the two main service providers. These local assemblers generally import bus chassis, upon which they fabricate bus bodies and assemble them locally or at their designated factories. As a whole, these locally assembled buses and coaches account to approximately 10-15% of the total annual new buses sold in the country.

The top main bus body manufacturers in Singapore in 2015, ranked by estimated revenue, related market share and product or services provided are shown in the table below.

<b>Rank</b>	<b>Company</b>	<b>Estimated revenue in 2015 (USD million)</b>	<b>% Estimated share to total industry</b>	<b>Products/Services</b>
1	Gemilang (for Singapore)	25.3	26.0%	Designing and manufacturing bus bodies and assembling buses
2	Company E	12.0	12.0%	Designing, engineering and building bus and bus body
3	Company F	1.5	2%	Bus and coach body builder; engineering solutions
4	Others	57.5	60%	Other imported players

*Source: Secondary research, annual reports, Ipsos analysis*

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*Notes:*

- 1) The above list of companies is selected with reference to available published revenues of present and previous years with Ipsos assumptions, which are then subsequently ranked for the purpose of market ranking comparison only. Thus, the above figures only provide an indication and are not considered directly comparable due to the following reasons: a) not all market players have the same financial year end; and b) not all companies carry out activities that are completely similar to each other.
- 2) Revenues for 2015, are estimated based on the following assumptions; a) estimated revenue for selected companies above are values for domestic market only; b) for companies with limited or none, published information on their revenues for 2015, values from the previous year is referenced in the present year, with the assumption that the industry is steadily progressing with marginal or limited change from previous year, and with limited impact to the company's activities.
- 3) Singapore's coachwork manufacturing industry rely heavily on imports, with local players contribute to approximately 10-15% of total coachwork manufacturing industry.

The market size for coachwork manufacturing in 2015 is estimated to value at S\$133.1 million (approximately USD96.3 million). For the same year, the company's sale in the Singapore market was at S\$34.9 million (approximately USD25.3 million). Thus, the Gemilang Coachwork's market share is approximately 26.0% of the total coachwork manufacturing industry in the country.

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# REGULATIONS

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## OVERVIEW

This section sets out a summary of the laws and regulations of Malaysia, Singapore and Australia that are material to our business and operations.

## LAWS AND REGULATIONS RELATING TO OUR BUSINESS IN MALAYSIA

The establishment, operation and management of Malaysian subsidiary of our Group shall be in compliance with the relevant laws and regulations of Malaysia. Our Malaysian subsidiary is primarily engaged in manufacturing activity within the meaning ascribed by Malaysian law and thus, it is subject to various legal requirements imposed by Malaysian legal framework.

### Licensing Requirements

#### *Manufacturing Licence under the Industrial Co-ordination Act 1975*

The Industrial Co-ordination Act 1975 (“ICA 1975”) requires a person engaging in a manufacturing activity to first obtain a manufacturing licence. The ICA 1975 defines manufacturing activity to mean “the making, altering, blending, ornamenting, finishing or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade”. Failure to observe the licensing requirement constitutes an offence under the ICA 1975, which is punishable on conviction by a fine not exceeding MYR2,000 or to a term of imprisonment not exceeding six months and to a further fine not exceeding MYR1,000 for every day during which such default continues.

Application may be made for one or more products manufactured in one or more places of manufacturing activity but a separate licence shall be issued for each place of manufacturing activity.

When issued, the manufacturing licence will continue to be valid until revoked by the Minister in charge.

This licensing requirement only applies to companies with shareholders’ funds of MYR2.5 million and above or employing 75 or more full-time paid employees. In respect of companies below those thresholds, they will be exempted from the requirement to hold a manufacturing licence.

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### *Business Licences under local laws*

The Local Government Act 1976 empowers every local authority to, amongst others, grant licence or permit for any trade, occupation or premises. In exercising its powers, the local authorities are further empowered to pass their own by-laws. Pursuant to the powers conferred by the Local Government Act 1976, the Kulai Municipal Council passed the by-laws to regulate the issuance of trade and business licences as well as advertisement licences. The Licensing, Trade, Industrial and Profession (Majlis Daerah Kulai) By-Laws, 1982 imposes any person who wishes to use any place or premise within the area of Kulai for any trade, business, industry or profession to first apply and obtain a licence. The validity of licence, unless sooner suspended or cancelled, shall remain in force until the end of each year. Failure to obtain and hold this licence constitutes an offence, which, on conviction, is punishable by a fine not exceeding MYR2,000 or by imprisonment of a term not exceeding 1 year or both. Non-compliance may also result in a further fine not exceeding MYR200 for each day of non-compliance.

### **Certification Requirements**

#### *Certificate of Completion and Compliance under the Street, Drainage and Building Act 1974*

The Street, Drainage and Building Act 1974 (“**SDBA 1974**”) provides that certificate of completion and compliance (“**CCC**”) for any building shall be issued only by a principal submitting person in accordance with the time, manner and procedure for the issuance thereof as prescribed under the SDBA 1974 or any by-laws made thereunder. The SDBA defines “building” to include “any house, hut, shed or roofed enclosure, whether used for the purpose of a human habitation or otherwise, and also any wall, fence, platform, staging, gate, post, pillar, paling, frame, hoarding, slip, dock, wharf, pier, jetty, landing-stage or bridge, or any structure support or foundation connected to the foregoing” and “principal submitting person” to mean a qualified person who submits building plans to the local authority for approval in accordance with the SDBA 1974 or any by-laws made thereunder and includes any other qualified person who takes over the duties and responsibilities of or acts for the first mentioned qualified person.

Before the issuance of the CCC, the SDBA 1974 imposes the duties and responsibilities of the principal submitting person to:

- (a) supervise the erection of the building to ensure that the erection is in conformity with the approved plans and the requirements of the provisions of the SDBA 1974 or any by-laws made thereunder;
- (b) ensure that the building has been duly constructed and completed in conformity with the approval plans and the requirements of the SDBA 1974 or any by-laws made thereunder and that all technical conditions imposed by the local authority has been duly complied with; and

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- (c) ensure that the building is safe and fit for occupation.

The SDBA 1974 further provides that any person who occupies or permits to be occupied by building or any part thereof without the CCC shall be liable on conviction to a fine not exceeding MYR250,000 or to imprisonment for a term not exceeding 10 years or both.

By the powers vested by the SDBA 1974, the Johor State Government enacted the Johor Uniform Building By-Laws 1986 (“**the By-Laws**”), which, amongst others, provide that a certificate of completion and compliance shall be issued by the principal submitting person:

- (a) when all the technical conditions as imposed by the local authority have been duly complied with;
- (b) when all relevant forms in respect of stage certifications have been duly certified and received by the principal submitting person;
- (c) when all the essential services, including access roads, landscape, car parks, drains, sanitary, water, electricity installations and communication, fire hydrants, sewerage and refuse disposal requirements and fire lifts where required, have been provided; and
- (d) when the principal submitting person certifies in the prescribed form that he has supervised the erection and completion of the building and that to the best of his knowledge and belief the building has been constructed and completed in accordance with the SDBA 1974, the relevant By-Laws and the approved plans.

The By-Laws further provide that upon the issuance of the certificate of completion and compliance, the principal submitting person accepts full responsibility for the issuance of the certificate of completion and compliance and he certifies that the building is safe and fit for occupation.

### ***Certification under the Fire Services Act 1988***

The Fire Services Act 1988 (“**FSA 1988**”) essentially contains provisions in law required for an effective and efficient functioning of the Fire Services Department, for the protection of persons and property from fire risks and for purposes connected therewith. In line with its general objective, the FSA 1988 requires every designated premises to obtain a fire certificate from the relevant authority. This fire certificate is renewable annually. At present, the following are designated premises within the meaning ascribed by the FSA 1988:

- (a) in respect of an office, it exceeds 30 metres in height or 10,000 sq.m. (total floor area);
- (b) in respect of a single storey factory, 2001 square metres and over where the automatic sprinklers systems are installed;

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- (c) in respect of a 2-storey factory, where each floor is built as a separate compartment, single or terrace construction exceeding 1,000 sq.m. (total floor area);
- (d) in respect of a storage area, more than 7,000 cubic metres or 2 storeys and over with more than 1,000 sq.m. (floor area).

Failure to maintain the fire certificate pursuant to the FSA 1988 constitutes an offence, which is punishable on conviction by a fine not exceeding MYR5,000.00 or imprisonment for a term not exceeding 3 years or both. In the event the offence is committed by a body corporate with the consent or connivance of, or to be attributable to any neglect on the part of, any director, manager, secretary, or other similar officer of the body corporate, or any person purporting to act in any such capacity, he as well as the body corporate shall be guilty of that offence. The FSA 1988 further provides that where the affairs of a body corporate are managed by its members, liability shall apply in relation to the acts and defaults of a member in connection with his functions of management as if he were a director of the body corporate.

### **Employment Requirements**

#### *General*

Employment of employees are governed by the Industrial Relations Act 1967 (“**IRA 1967**”) and the Employment Act 1955 (“**EA 1955**”).

The IRA 1967 generally provides the legal framework and procedures for collective agreements as well as for unlawful dismissal and constructive dismissal of employees. The IRA 1967 establishes the Malaysian Industrial Court, which has the jurisdiction of hearing industrial relation matters only.

The EA 1955 provides minimum work requirements and benefits of employment, such as minimum working hours, overtime entitlement, leave entitlement, maternity protection and termination benefits. The EA 1955 expressly provides that in the event of inconsistency between the terms contained in the employment and the minimum standards prescribed by the EA 1955, the more favourable terms will prevail and be enjoyed by the employees. The EA 1955 applies only to employees earning monthly wages of not more than MYR2,000.00 or to employees, irrespective of their monthly wages, who are engaged in manual labour, including artisan or apprentice, or who are engaged in the operation of maintenance of mechanically propelled vehicles operated for the transport of passengers or goods or for commercial purposes, or who supervise or oversee other employees engaged in manual labour or who are engaged in any capacity in any vessel registered in Malaysian or who are engaged as a domestic servant.

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Other laws of employment include the Minimum Wage Order 2012, which prescribes the minimum wages for specified employees, the Minimum Retirement Age Act 2012 which prescribes the minimum age of retirement of employees, the Employees Provident Fund Act 1991 which imposes the statutory obligations on employers and employees to make contribution towards the Employees' Provident Fund, which is essentially a fund established as a scheme of savings for employees' retirement and the management of the savings for the retirement purposes and the Employees' Social Security Act 1969, which essentially establishes social security for employees in Malaysia.

### *Occupational Safety and Health of Employees*

Apart from laws relating to their employment, employers in, amongst others, the manufacturing industry in Malaysia are further required to secure the safety, health and welfare of their employees at work places and to promote an occupational environment for persons at work which is adapted to their physiological and psychological needs. The Occupational Safety and Health Act 1994 (“**OSHA 1994**”) imposes a statutory obligation on, amongst others, persons who designs and manufacturers of any plant for use at work to ensure that the plant is designed and constructed to be safe and without risks to health when properly used, to carry out and arranging for the carrying out of testing and examination on the plants and to take necessary steps to ensure that information about the design and testing on the use of the plant is available. Where substances are used at work, the OSHA 1994 imposes further statutory obligations on employers to ensure that the substance is safe and without risks to health when properly used; to carry out testing and examinations necessary to ensure the safety of the substance used and to provide adequate information on the results of the tests carried out or in connection with the substance used.

OSHA 1994 further requires every employer to establish a safety and health committee at the place of work if there are forty or more persons employed at the place of work; or the Director General directs the establishment of such a committee at the place of work. The employer shall consult the safety and health committee with a view to the making and maintenance of arrangements which will enable him and his employees to co-operate effectively in promoting and developing measures to ensure the safety and health at the place of work of the employees, and in checking the effectiveness of such measures. Contravention of this requirement to establish a safety and health committee constitutes an offence, which, on conviction, is punishable by to a fine not exceeding MYR5,000 or by imprisonment for a term not exceeding six months or both.

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OSHA 1994 also requires an occupier of a place of work to employ a competent person to act as a safety and health officer at the place of work. The safety and health officer employed shall be exclusively for the purpose of ensuring the due observance at the place of work of the provisions of the OSHA 1994 and any regulation made thereunder and the promotion of a safe conduct of work at the place of work. Under the Occupational Safety and Health (Safety and Health Officer) Order 1997, an employer of manufacturing activity who employs more than 500 employees is required to employ a safety and health officer. Failure to observe and comply with this requirement constitutes an offence under OSHA 1994, which, on conviction, is punishable by a fine not exceeding MYR10,000 or by imprisonment for a term not exceeding one year or both and, in the case of a continuing offence, to a fine not exceeding MYR1,000 for every day or part of a day during which the offence continues after conviction. Where a body corporate contravenes any provision of the OSHA 1994 or any regulation made thereunder, every person who at the time of the commission of the offence is a director, manager, secretary or other like officer of the body corporate shall be deemed to have contravened the provision and may be charged jointly in the same proceedings with the body corporate or severally, and every such director, manager, secretary or other like officer of the body corporate shall be deemed to be guilty of the offence.

### *Foreign Employees*

In so far as non-residents of Malaysia are concerned, their employment is further governed by the Employment (Restriction) Act 1968 (“**ERA 1968**”) which imposes the requirement on person not being a citizen to obtain a valid employment permit before he can be employed in any business in Malaysia or accept employment in any business in Malaysia. The ERA 1968 similarly prohibits a person from employing in Malaysia any person not being a citizen unless there has been issued in respect of that latter person a valid employment permit. Failure to obtain the requisite valid employment permit constitutes an offence, which on conviction is punishable by a fine not exceeding MYR5,000 or imprisonment for a term not exceeding one year or both.

Apart from the requirement and consequences of non-compliance under ERA 1968, employers of non-residents are further subject to the provisions contained in the Immigration Act 1955 (“**IA 1955**”), which states that a person who employs one or more persons not in possession of valid work permit or entry permit issued under the IA 1955 shall be guilty of an offence and shall, on conviction be liable to a fine of not less than MYR10,000 but not more than MYR50,000 or to imprisonment for a term not exceeding twelve months or to both for each such non-resident employee without valid work permit. The IA 1955 further provides that if it is proven that the person employed more than five such non-resident employees without valid work permit or entry permit, that person shall, on conviction, be liable to imprisonment term of not less than six months but no more than five years and shall also be liable to whipping not more than six strokes. In the event the offences are committed by a body corporate, the IA 1955 places liability and punishment described in the preceding paragraph on any person who at the time of the commission of the offence was a member, of the board of director, a manager, a secretary, or a person holding an office or a position similar to that of a manager or secretary of the body corporate.



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The provisions of the Employees' Social Security Act 1969 do not apply to non-residents. Instead, foreign employees, whose earnings are not more than MYR500 per month or who are all manual workers irrespective of the wages, are covered by the Workmen's Compensation Act 1952 ("WCA 1952"), which makes it mandatory for every employer to insure all foreign workmen employed by him under an approved insurance scheme in respect of any liability he may incur under the WCA 1952. It is expressed in WCA 1952 that any employer who fails to insure the foreign workers under the approved insurance scheme shall be guilty of an offence and on conviction, shall be liable to a fine not exceeding MYR20,000 or to imprisonment for a term not exceeding two years or both.

### **Taxation**

#### ***Income tax under the Income Tax Act 1967***

The Income Tax Act 1967 generally imposes a tax, known as income tax, for each year of assessment upon the income accruing in or derived from Malaysia or received in Malaysia from outside Malaysia.

A company will be a tax resident in Malaysia if its management and control is exercised in Malaysia. In normal circumstances, the place where directors' meetings are held concerning management and control of the company will be considered in determining where the management and control is exercised.

Resident companies and non-resident companies are subject to a tax rate of 24% with effect from year of assessment 2016. In cases of resident companies with a paid up capital of MYR2,500,000 or less, they are taxed at the rate of 19% for the first MYR500,000 and 24% for any sum in excess of MYR500,000. The rates described will not apply if such resident companies form part of a group of companies where any of their related company has a paid up capital of MYR2,500,000 or more.

#### **Income Tax Exemption On Value Of Increased Exports**

##### ***Income Tax (Exemption) (No:17) Order 2005 (P.U.(A) 158/2005)***

In accordance to the above exemption order, "Allowance for significant increase in export" is an incentive granted to a local company resident in Malaysia and carrying on activities of manufacturing or agricultural from the payment of income tax in respect of income derived from export sales in the basis period for a year of assessment.

The resident manufacturing or agriculture company has to be a company incorporated in Malaysia with at least 60% of its issued share capital to be Malaysian owned.

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Income tax exemption is based on the value of increased export. “Export Sales” means direct sales of manufactured products or agricultural produce from Malaysia. “Value of increased exports” means the difference of the free-on-board value of export sales in a basis period and that of the immediately preceding basis period. The rate of exemption will be either:

Rate of Exemption	Criteria
30%	Significant increase in export, determined by the formula of at least 50% increase in export value
50%	Penetrated new markets.
100%	Received export excellence award from the Ministry of International Trade And Industry of Malaysia for achieving the highest increase in export sales for a Year of Assessment. The export excellence award covers merchandise, services as well as brand excellence award.

The mechanism of tax exemption requires the amount exempted to be set off against 70% of the statutory income until it is fully utilised/deducted.

### ***Goods and Services Tax under the Goods and Services Tax Act 2014***

The Goods and Services Tax Act 2014 introduced the goods and services tax (“GST”) with effect from 1 April 2015. GST, presently at the rate of 6%, is chargeable on all taxable supplies of goods and services made in the course or furtherance of a business in Malaysia and importation of goods into Malaysia by a taxable person. A taxable person is a person who makes taxable supplies in Malaysia with annual turnover exceeding MYR500,000 and who is required to be registered with the Royal Malaysian Customs. At present, GST is not chargeable on zero rated supply, exempt supply and supply granted relief.

### **Foreign Exchange Control**

The Central Bank of Malaysia or Bank Negara Malaysia, established under the now repealed Central Bank of Malaysia Act 1958 but continued to exist under the Central Bank of Malaysia Act 2009, assumes the primary function of, amongst others, to formulate and conduct monetary policy in Malaysia and to provide oversight over money and foreign exchange markets.

By the power vested by the Financial Services Act 2013, the Central Bank of Malaysia issued foreign exchange administration notices which, amongst others, regulate the remittance of funds from and into Malaysia. As at the Latest Practicable Date, non-residents are free to remit divestment proceeds, profits, dividends or any income arising from investments in Malaysia provided such repatriation of funds are made in foreign currency.

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### LAWS AND REGULATIONS RELATING TO OUR BUSINESS IN SINGAPORE

Save for the laws and regulations that are material and specific to our business as disclosed below, as at the Latest Practicable Date, our business is not subject to any particular laws or regulations of Singapore other than those generally applicable to companies incorporated and/or operating in Singapore.

#### **Regulation of Imports and Exports Act**

The Regulation of Imports and Exports Act (Chapter 272A) of Singapore (“**RIEA**”) provides for the regulation, registration and control of imports into, exports out of and transshipments in or in transit through Singapore, of goods through requirements of permits. The RIEA is administered by the Director-General of Customs appointed under section 4(1) of the Customs Act (Chapter 70) of Singapore. We engage freight forwarders to undertake the import of our products into Singapore, and these freight forwarders make the necessary permit applications for our imports on a transactional basis.

#### **Workplace Safety and Health Act**

The Workplace Safety and Health Act (Chapter 354A) of Singapore (“**WSHA**”) provides that every employer has the duty to take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of his employees at work. These measures include providing and maintaining for the employees a work environment which is safe, without risk to health, and adequate with regards to facilities and arrangements for their welfare at work, ensuring that adequate safety measures are taken in respect of any machinery, equipment, plant, article or process used by the employees, ensuring that the employees are not exposed to hazards arising out of the arrangement, disposal, manipulation, organisation, processing, storage, transport, working or use of things in their workplace or near their workplace and under the control of the employer, developing and implementing procedures for dealing with emergencies that may arise while those persons are at work and ensuring that the employees at work have adequate instruction, information, training and supervision as is necessary for them to perform their work. The relevant regulatory body is the Ministry of Manpower (“**MOM**”).

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Any person who breaches his duty under the WSHA shall be guilty of an offence and shall be liable on conviction, in the case of a body corporate, to a fine not exceeding S\$500,000 and if the contravention continues after the conviction, the body corporate shall be guilty of a further offence and shall be liable to a fine not exceeding S\$5,000 for every day or part thereof during which the offence continues after conviction. For repeat offenders, where a person has on at least one (1) previous occasion been convicted of an offence under the WSHA that causes the death of any person and is subsequently convicted of the same offence that causes the death of another person, the court may, in addition to any imprisonment if prescribed, punish the person, in the case of a body corporate, with a fine not exceeding S\$1 million and, in the case of a continuing offence, with a further fine not exceeding S\$5,000 for every day or part thereof during which the offence continues after conviction.

Under the WSHA, the Commissioner for Workplace Safety and Health (“CWSH”) may serve a remedial order or a stop-work order in respect of a workplace if he is satisfied that (i) the workplace is in such condition, or is so located, or any part of the machinery, equipment, plant or article in the workplace is so used, that any work or process carried on in the workplace cannot be carried on with due regard to the safety, health and welfare of persons at work; (ii) any person has contravened any duty imposed by the WSHA; or (iii) any person has done any act, or has refrained from doing any act which, in the opinion of the CWSH, poses or is likely to pose a risk to the safety, health and welfare of persons at work. The remedial order shall direct the person served with the order to take such measures, to the satisfaction of the CWSH, to, amongst others, remedy any danger so as to enable the work or process in the workplace to be carried on with due regard to the safety, health and welfare of the persons at work, whilst the stop-work order shall direct the person served with the order to immediately cease to carry on any work or process indefinitely or until such measures as are required by the CWSH have been taken, to the satisfaction of the CWSH, to remedy any danger so as to enable the work or process in the workplace to be carried on with due regard to the safety, health and welfare of the persons at work.

### **Work Injury Compensation Act**

The Work Injury Compensation Act (Chapter 354) of Singapore (“WICA”), which is regulated by the MOM, applies to all employees (with the exception of those set out in the Fourth Schedule of the WICA) who have entered into or work under a contract of service or apprenticeship with an employer, in respect of injury suffered by them arising out of and in the course of their employment and sets out, amongst others, the amount of compensation that they are entitled to and the method(s) of calculating such compensation.

The WICA provides that if in any employment, personal injury by accident arising out of and in the course of the employment is caused to an employee, the employer shall be liable to pay compensation in accordance with the provisions of the WICA. The amount of compensation shall be computed in accordance with the Third Schedule of the WICA, subject to a maximum and minimum limit.

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## LAWS AND REGULATIONS RELATING TO OUR BUSINESS IN AUSTRALIA

### National Standards for Motor Vehicles

The Motor Vehicle Standards Act 1989 (“**MV Standards Act**”) requires all road vehicles, whether they are newly manufactured in Australia or are imported as new or second hand vehicles, to comply with the relevant Australian Design Rules (“**ADRs**”) at the time of manufacture and supply to the Australian market. The ADRs prescribe the national standards for vehicle safety, anti-theft and emissions and cover issues such as occupant protection, structures, lighting, noise, engine exhaust emissions, braking and a range of miscellaneous items. When a new vehicle has been certified as meeting the ADRs it can be fitted with a compliance plate.

Generally, unless a vehicle is fitted with a compliance plate, a permission known as a Vehicle Import Approval by the Department of Infrastructure and Regional Development is required to import the vehicle into Australia. The Vehicle Import Approval is required to ensure that every vehicle new to Australia maintains a high level of safety requirements and meets emissions standards.

In 2009, the Council of Australian Governments agreed that a single national heavy vehicle regulatory regime be established to cover all vehicles over 4.5 gross tonnes. The national regime would include a single national regulator to administer a single set of national heavy vehicle laws. On 10 February 2014 the Heavy Vehicle National Law, covering all heavy vehicles over 4.5 tonnes, commenced in Queensland, New South Wales, Victoria, Tasmania, South Australia and the Australian Capital Territory. The law covers matters relating to vehicle standards, mass dimensions & loadings, fatigue management, the Intelligent Access Program, heavy vehicle accreditation and on-road enforcement. Western Australia and the Northern Territory are not participating in the national reform at present. The law is administered by the Brisbane based National Heavy Vehicle Regulator.

### Import

The Customs Act 1901 (“**Customs Act**”) regulates the import of goods into Australia and their export. It also provides for the computation of duty and payment of duty on those goods. There is no general requirement for an importing entity to hold a licence for importation. Most goods imported into Australia are not subject to restrictions, although certain classes of goods such as weapons, animal products and drugs may be subject to specific import control. Generally, unless a vehicle is fitted with a compliance plate, a permission known as a Vehicle Import Approval by the Department of Infrastructure and Regional Development is required to import the vehicle into Australia. The Vehicle Import Approval needs to be produced to get clearance from Australian Custom Importers of goods into Australia are required to comply with customs procedure and this includes submission of details of the goods to the Australian Customs and Border Protection Services, declarations or provision of security for the payment of duties or compliance with procedures.

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Goods imported will be subject to import duty unless they are exempted under a concession or a free trade agreement has been entered into in respect of those goods between Australia and the country of origin. The duty is imposed as a percentage on imported goods on an ad valorem basis. The value of the goods is determined in accordance with Australian law and may not be the same as the sale price of the goods.

Australia has anti-dumping legislation in place. The purpose is to 'level the playing field' from the price perspective in the Australian market. Dumping occurs when the export price of the goods in the country is less than their 'normal value' which is usually the comparable price in the ordinary course of trade in the domestic market of the exporter. To the extent that the dumping causes or threatens to cause material injury to an Australian industry, the Australian Government may impose a dumping duty which effectively is the difference between the export price of the goods and their normal value. In addition, where goods sold in the exporter's market is subject to some form of subsidy or financial assistance and to the extent that the subsidised imports cause or threaten material injury to the relevant Australian industry, a countervailing duty may be imposed up to the amount of the subsidy.

### **GST**

Australia has implemented a broad based goods and services tax (GST) since 1 July 2000. GST is imposed at a rate of 10% of the taxable supplies on most goods, services, rights and property in Australia including imports. Generally, GST does not apply to exports of goods and services consumed outside Australia.

GST is paid at each step in the supply chain and the liability to pay generally falls on the supplier of the GST items. Typically, the supplier will seek to contractually recover its GST liability from the recipient.

If an entity is registered for GST purposes, in most cases, it will be able to claim an "input tax credit" for GST items acquired and GST on importations used in carrying on its enterprise. The input tax credit is calculated with reference to the amount of the GST included in the price paid for those acquisitions for which the supplier is liable. This has the effect of offsetting the GST included in the price of the GST items that the entity acquired for use in carrying on its enterprise. The intention of the input tax credit is to allow the GST liability to flow through the supply chain to the end consumers who will ultimately bear the cost of the GST.

Generally, an entity will be required to be registered for GST purposes if it is carrying on an enterprise or is making supplies that are connected with Australia, and its current or projected annual turnover exceeds AU\$75,000. An entity that does not meet the relevant threshold may register for GST voluntarily. The term "entity" is defined very broadly and includes entities which are not legal entities such as trusts, partnerships and government bodies.

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Generally, GST is payable on all taxable importations regardless of whether the entity importing the GST items is registered for GST.

### **Tax**

The main forms of taxes applicable to an Australian company is income tax and goods and services tax, although a company will also be subject to other taxes levied by the Federal Government such as fringe benefits tax, superannuation guarantee charge and indirect taxes on certain products (including petrol, oil, tobacco and alcohol) and other taxes imposed by State and Territory Governments such as employer's payroll tax, land tax, stamp duty, gambling taxes and motor vehicle taxes.

### ***Income Tax***

An Australian company is liable to pay Australian tax on all of its worldwide assessable income at the general corporate tax rate generally, of 30 per cent. A company incorporated in Australia is a resident of Australia for income tax purposes. Australia does not operate a separate regime for capital gains tax. Any capital gain made by a company is included in the assessable income of the taxpayer.

A foreign resident's CGT liability depends on whether the relevant asset is Taxable Australian Property which generally includes taxable Australian real property and indirect interest in Australian real property.

As from 1 July 2016, purchasers will be generally obliged to withhold 10% of the amount required to be paid to sellers of Australian property and remit this to the Australian Taxation Office unless the seller vendor can produce a tax office clearance certificate.

### ***Dividends***

Australia has a system of imputation of company tax applying to distributions made by Australian resident companies in respect of their equity. The imputation system allows resident shareholders to claim a credit (a "**franking credit**") for Australian tax paid by a company on profits from which the dividend is paid. The franking of dividends aims to eliminate the double taxation of dividends that would occur if the after-tax income of a company is transferred as taxable distributions to its shareholders.

If a franked dividend is paid to a resident shareholder, the resident shareholder is entitled to a tax offset which is equal the franking credit. If an unfranked distribution is paid to a resident shareholder, the resident shareholder will need to include the full amount of the unfranked dividend in its assessable income.

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### ***Withholding Tax***

Broadly, withholding tax is imposed on non-residents with respect to payments of dividends, interest and royalties. The withholding tax rates differ depending on the nature of the payment and whether the recipient of the payment is resident in a country with which Australia has entered into a double taxation agreement (“DTA”).

If a franked dividend is paid to a non-residents, the dividend is generally exempt from dividend withholding tax to the extent it is franked. If the recipient of an unfranked dividend is a resident of a country which does not have a DTA with Australia, the dividend will be subject to a withholding tax rate of 30% of the gross amount of the dividend. If there is a DTA in place, the dividend will normally be subject to withholding tax of 15% of the gross amount of the dividend, unless the relevant DTA specifies otherwise.

Generally, interest payments will be subject to withholding tax at 10% of the gross amount of the interest and royalty payments are subject to a withholding tax rate of 30%. These rates may be different depending on the term of the relevant DTA (if any).

### **Employment Law**

Employment law in Australia is based on common law and statutory frameworks which incorporate industrial instruments such as awards and enterprise agreements. The *Fair Work Act 2009 (Cth)* (“FW Act”) is the primary legislation governing industrial relations for corporations in Australia.

The FW Act sets out minimum employment conditions known as the National Employment Standards (“NES”) which apply to all employees (including executives) The NES are minimum standards, and cannot be excluded by the terms of a modern award, enterprise agreement or common law contract. The FW Act also provides certain employees with statutory rights to claim relief from unfair dismissal subject to certain conditions and exemptions and it also provides redress for an employee who is terminated unlawfully.

In addition, the FW Act also protects freedom of association and provides protection from workplace discrimination and bullying.

Superannuation is a form of compulsory savings which a person may only access when retiring from the workforce subject to other restrictions, such as age. In Australia, the *Superannuation Guarantee (Administration) Act 1992 (Cth)* requires employers to make compulsory superannuation contributions to complying superannuation funds on behalf of their employees. At present, the minimum contribution rate is 9.25% of the employee’s salary or wages. An employer who fails to do so will be liable for a superannuation guarantee charge.



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Each State and Territory has also enacted legislation which imposes obligations on an employer to take out workers' compensation insurance and provide workers' compensation payments to employees suffering from work-related injuries or diseases. Employers are either required to contribute a levy to the State or to keep and maintain insurance cover for the full amount of the employer's statutory liability, depending on the system applicable in each State and Territory. Employers are also obliged to ensure the health, safety and welfare of employees and other people in the workplace.

There are also various legislations in place to prohibit discrimination on certain grounds, sexual harassment and vilification and to provide for equal opportunity in respect of the employment of women.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### OUR HISTORY

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 June 2016. Our Company owns 100% of Gemilang BVI, an intermediate holding company incorporated in the BVI with limited liability on 28 June 2016, which in turn owns 100% of both Gemilang Coachwork and Gemilang Singapore. As our major operating subsidiary, Gemilang Coachwork engages in the design and manufacturing of bus bodies and bus assembly, whereas Gemilang Singapore engages in the (i) provision of after sales repair services in relation to the buses sold by Gemilang Coachwork to Gemilang Coachwork's customers in Singapore and (ii) sale of bus parts.

Our business history can be traced back to 1989 when Gemilang Coachwork was established in Malaysia specialising in the assembly of steel buses. Both Mr. SW Phang and Mr. CY Pang financed the establishment of Gemilang Coachwork by their own capital. Prior to founding Gemilang Coachwork, Mr. SW Phang has had over 20 years of experience in the assembly of steel buses, and Mr. CY Pang has had over 10 years in the installation of cars accessories and provision of after sales services. For further details regarding the experience of Mr. SW Phang and Mr. CY Pang, please refer to the section headed "Directors, senior management and staff" of this prospectus.

During the first few years of Gemilang Coachwork's operation, it mainly engaged in the assembly of steel buses for the Malaysian market. Our commitment in producing high quality products has contributed to steady growth in our sales. In order to cope with the growing demand from our customers, Gemilang Coachwork relocated from Tampoi, Johor to Senai Industrial Zone, Johor, Malaysia in 1994 with its own office and integrated production facility.

The Asian financial crisis in the late 1990s caused a drastic downturn in the local demand for buses and coaches which affected our operations. As a result, our management leased out our defaulted buyers' buses to transportation operators in order to steer through the difficult economic conditions. During the same period, Gemilang Coachwork produced and supplied 120 buses to an Australian bus and coach builder. Our supply of 120 buses to this Australian bus and coach builder has marked the beginning of our export business. Since then, we have exported our products to more than 10 countries worldwide.

In 2001, Mr. SW Phang, Mr. CY Pang and other independent third parties formed a strategic partnership which has marked the start of a business relationship with Constellium through the Constellium Licence Agreement. Constellium is a well-established manufacturer of aluminium superstructure extrusion. Since then, we have adopted the EcoRange System in our production process for the assembly, manufacture and production of aluminium bus bodies while we continue to manufacture steel bus bodies. This has further solidified our capability of assembling/producing buses and bus bodies in aluminium as it allowed us to improve our manufacturing process. We believe

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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aluminium is the material of choice in manufacturing buses and coaches. Aluminium can, among others, enhance our production efficiency and reduce the weight of buses and coaches and therefore enhance fuel efficiency. In 2010, the licence under the Constellium Licence Agreement was formally transferred to Gemilang Coachwork.

In 2016, in view of our increasing sales to Australia and in order to streamline our corporate structure, we acquired from Mr. CY Pang 50% interests in the issued share capital of Gemilang Australia, which has been providing marketing and support services to us in relation to our sales to Australia and New Zealand and after-sales services to our customers in Australia and New Zealand. Please refer to the paragraph headed “Acquisition of 50% interests in Gemilang Australia” in this section for details.

With over 25 years of experience, our Group has become one of the leading bus and bus body suppliers in Malaysia and Singapore with an international presence with our products being sold to various countries worldwide.

### BUSINESS MILESTONES

Set forth chronologically below are our key business milestones:

<b>Year</b>	<b>Major development and achievement</b>
1989	Gemilang Coachwork was established for the assembly of wooden and steel buses
1994	We relocated to Senai Industrial Zone, Johor, with our own office and production facility
1999	Gemilang Coachwork entered the Australian market
2001	Through our founders, we developed a strategic partnership with Constellium and subsequently adopted the EcoRange System in our production process which marked the beginning of our relationship with Constellium
2002	Gemilang Coachwork entered the Vietnamese market
2004	Gemilang Coachwork won the “Golden Bull Award 2004 — The 2 <sup>nd</sup> Malaysia’s 100 Outstanding SMEs” granted by Nanyang Siang Pau (南洋商報)

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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<u>Year</u>	<u>Major development and achievement</u>
2006	<p>Gemilang Coachwork secured contract with Scania in Singapore</p> <p>Gemilang Coachwork entered the Bangladeshi market</p>
2009	<p>Gemilang Coachwork won the “The 8<sup>th</sup> Asia Pacific International Entrepreneur Excellence Award 2009” for Excellent Product conferred by Entrepreneur Development Association (馬來西亞優良企業發展協會)</p>
2010	<p>Formally became the sole licence holder for the EcoRange System in Singapore and Malaysia as the rights and obligations under the Constellium Licence Agreement was formally transferred to Gemilang Coachwork</p> <p>We expanded our production facility from 1.428 hectares to approximately 3.0786 hectares of land</p>
2013	<p>Gemilang Coachwork won the “MAN Body Builder Award 2013” award conferred by MAN for its outstanding achievement of building the most bus bodies built on MAN chassis from January 2012 to September 2013</p> <p>Gemilang Coachwork won the “Scania Long Term Commitment Award”</p>
2014	<p>Our production facility and products were approved by the Department of Infrastructure and Regional Development of Australian Government in accordance with ADRs</p> <p>Gemilang Coachwork was announced as Coach Builder of the Year — Export Market by New Straits Times Press (M) Berhad</p> <p>Gemilang Coachwork won the “MAN Body Builder Award 2014” award conferred by MAN for outstanding achievement for 3<sup>rd</sup> most bus bodies built on MAN chassis from October 2013 to September 2014</p>
2015	<p>Gemilang Coachwork won the “Man Body Builder Award 2015” award conferred by MAN for outstanding achievement for most bus bodies built on MAN chassis from October 2014 to September 2015</p>

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# HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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## CORPORATE STRUCTURE AND DEVELOPMENT

Immediately before the Reorganisation, our Group consisted of two members, namely, Gemilang Coachwork and Gemilang Singapore.

### (a) *Gemilang Coachwork*

Gemilang Coachwork was incorporated with limited liability in Malaysia on 23 September 1989 with an authorised share capital of MYR250,000 divided into 250,000 ordinary shares with the par value of MYR1 each. It designs and manufactures bus bodies and assembles buses. Upon its incorporation, one share was allotted and issued fully paid at par to each of Mr. CY Pang and Ms. Chew (the wife of Mr. SW Phang) respectively. Ms. Chew held the share as Mr. SW Phang's nominee. The following table sets out the change in shareholdings of Gemilang Coachwork since its incorporation:

<u>Date</u>	<u>No. of shares involved</u>	<u>Allotment to</u>	<u>Consideration</u>	<u>Resulting shareholding in Gemilang Coachwork</u>	<u>Total number of issued shares</u>
23 September 1989	allotment of 2 shares	Mr. CY Pang and Ms. Chew (as nominee of Mr. SW Phang) in equal share	fully paid at par	Each of Mr. CY Pang and Ms. Chew held 1 share	2
30 March 1991	allotment of 99,998 shares	Mr. CY Pang and Ms. Chew (as nominee of Mr. SW Phang) in equal share	fully paid at par	Each of Mr. CY Pang and Ms. Chew held 50,000 shares	100,000
14 April 1994	allotment of 100,000 shares	Mr. CY Pang and Ms. Chew (as nominee of Mr. SW Phang) in equal share	fully paid at par	Each of Mr. CY Pang and Ms. Chew held 100,000 shares	200,000

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Date	No. of shares involved	Allotment to	Consideration	Resulting shareholding in Gemilang Coachwork	Total number of issued shares
8 September 1994	allotment of 50,000 shares	Mr. CY Pang and Ms. Chew (as nominee of Mr. SW Phang) in equal share	fully paid at par	Each of Mr. CY Pang and Ms. Chew held 125,000 shares	250,000
6 January 1996	The authorised share capital of Gemilang Coachwork was increased from MYR250,000 to MYR1,000,000 by the creation of 750,000 new shares of MYR1 each in addition to the then existing shares in Gemilang Coachwork, such new shares to rank pari passu with the then existing shares in Gemilang Coachwork	—	—	The authorised share capital was increased from MYR250,000 to MYR1,000,000	250,000
6 January 1996	allotment of 750,000 shares	Mr. CY Pang and Ms. Chew (as nominee of Mr. SW Phang) in equal share	fully paid at par	Each of Mr. CY Pang and Ms. Chew held 500,000 shares	1,000,000
Between the period from 5 January 1997 and 27 February 1998	Ms. Chew transferred all of her 500,000 shares in Gemilang Coachwork to Mr. SW Phang	—	MYR500,000	After the said transfer, Mr. CY Pang held 500,000 shares and Mr. SW Phang held 500,000 shares	1,000,000
25 February 1997	Mr. CY Pang transferred 25,000 shares to Ms. Low Poh Teng	—	MYR25,000	After the said transfer, Ms. Low Poh Teng held 25,000 shares	1,000,000

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Date	No. of shares involved	Allotment to	Consideration	Resulting shareholding in Gemilang Coachwork	Total number of issued shares
27 February 1998	Ms. Low Poh Teng transferred 25,000 shares to Mr. CY Pang	—	MYR25,000	After the said transfer, Mr. CY Pang held 500,000 shares	1,000,000
31 December 2001	The authorised share capital of Gemilang Coachwork was increased from MYR1,000,000 to MYR5,000,000 by the creation of 4,000,000 new shares of MYR1 each in addition to the then existing shares in Gemilang Coachwork, such new shares to rank pari passu with the then existing shares in Gemilang Coachwork	—	—	The authorised share capital was increased from MYR1,000,000 to MYR5,000,000	1,000,000
31 December 2001	allotment of 250,000 shares	Mr. CY Pang and Mr. SW Phang in equal share	fully paid at par	Each of Mr. CY Pang and Mr. SW Phang held 625,000 shares	1,250,000
28 June 2007	allotment of 500,000 shares	Mr. CY Pang and Mr. SW Phang in equal share	fully paid at par	Each of Mr. CY Pang and Mr. SW Phang held 875,000 shares	1,750,000
28 October 2009	allotment of 250,000 shares	Mr. CY Pang and Mr. SW Phang in equal share	fully paid at par	Each of Mr. CY Pang and Mr. SW Phang held 1,000,000 shares	2,000,000

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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On 20 October 2016, as part of the Reorganisation, Gemilang BVI (as purchaser) entered into a share sale and purchase agreement with Mr. SW Phang and Mr. CY Pang (as vendors), pursuant to which Mr. SW Phang and Mr. CY Pang transferred 1,000,000 shares and 1,000,000 shares respectively in Gemilang Coachwork, which represented the entire issued share capital of Gemilang Coachwork, to Gemilang BVI for the consideration of MYR11,533,029.50 and MYR11,533,029.50 respectively. The consideration was satisfied by:

- (a) Gemilang BVI procuring the Company to allot and issue one share in the Company, credited as fully paid, at the direction of Mr. SW Phang, to Gemilang International; and
- (b) Gemilang BVI procuring the Company to allot and issue one share in the Company, credited as fully paid, at the direction of Mr. CY Pang, to Gemilang International.

After the said transfer, Gemilang Coachwork became a wholly owned subsidiary of Gemilang BVI.

The transfer of ordinary shares in the capital of Gemilang Coachwork as disclosed above were legally completed and settled in compliance with the laws of Malaysia on 20 October 2016 and would not require any approval or permit from any government authorities in Malaysia.

### ***(b) Gemilang Singapore***

Gemilang Singapore was incorporated in Singapore on 19 April 2004 as an exempt private company limited by shares and engages in the (i) provision of after sales repair services in relation to the buses sold by Gemilang Coachwork to its customers in Singapore and (ii) sale of bus parts. On incorporation, Gemilang Singapore had an issued and paid-up share capital of S\$2.00 divided into two ordinary shares of S\$1.00 each, with one ordinary share allotted to each of Mr. Peter Phang and Mr. Cheo Koon Lin (Zhang Kunlin).

On 4 June 2004, Gemilang Singapore increased its issued and paid-up share capital from S\$2.00 comprising two ordinary shares to S\$10.00 comprising 10 ordinary shares. On 27 August 2014, Gemilang Singapore increased its issued and paid-up share capital from S\$10.00 comprising 10 ordinary shares to S\$5,000.00 comprising 5,000 ordinary shares.

On 4 June 2004, Mr. Peter Phang was allotted eight ordinary shares in the capital of Gemilang Singapore for S\$8.00.

On 4 June 2004, Mr. Cheo Koon Lin (Zhang Kunlin) transferred one ordinary share in the capital of Gemilang Singapore to Ms. Phang Huey Wen for a consideration of S\$1.00.



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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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On 1 December 2007, Mr. Peter Phang made two declarations of trust in respect of the shares held by him as follows:

- Five ordinary shares in the capital of Gemilang Singapore were held by Mr. Peter Phang on trust for Mr. CY Pang.
- Four ordinary shares in the capital of Gemilang Singapore were held by Mr. Peter Phang on trust for Mr. SW Phang.

On 1 December 2007, Ms. Phang Huey Wen made a declaration of trust in respect of one ordinary share in the capital of Gemilang Singapore held by her in favour of Mr. SW Phang.

On 28 June 2009, Mr. SW Phang directed Ms. Phang Huey Wen to transfer one share held by Ms. Phang Huey Wen on trust for Mr. SW Phang to Mr. Peter Phang, who would hold one ordinary share on trust for Mr. SW Phang pursuant to a declaration of trust made by Mr. Peter Phang on the same date. As at 28 June 2009, five ordinary shares in the capital of Gemilang Singapore were held by Mr. Peter Phang on trust for Mr. CY Pang and five ordinary shares in the capital of Gemilang Singapore were held by Mr. Peter Phang on trust for Mr. SW Phang.

On 17 April 2014, Mr. CY Pang and Mr. SW Phang directed Mr. Peter Phang to transfer 10 ordinary shares in the capital of Gemilang Singapore held on trust by Mr. Peter Phang for both of them to Ms. Shyan Phang, who would hold the shares on trust for Mr. CY Pang and Mr. SW Phang pursuant to two declarations of trust made by Ms. Shyan Phang on the same date. As at 17 April 2014, five ordinary shares in the capital of Gemilang Singapore were held by Ms. Shyan Phang on trust for Mr. CY Pang and five ordinary shares in the capital of Gemilang Singapore were held by Ms. Shyan Phang on trust for Mr. SW Phang.

On 27 August 2014, 4,990 ordinary shares were allotted and issued to Ms. Shyan Phang at the subscription price of S\$4,990.00. Pursuant to two declarations of trust both made by Ms. Shyan Phang on 27 August 2014, 2,495 ordinary shares in the capital of Gemilang Singapore were held by Ms. Shyan Phang on trust for Mr. CY Pang and 2,495 ordinary shares in the capital of Gemilang Singapore were held by Ms. Shyan Phang on trust for Mr. SW Phang. As at 27 August 2014, the issued and paid-up share capital of Gemilang Singapore was S\$5,000.00 divided into 5,000 ordinary shares.

On 20 October 2016, as part of the Reorganisation, Ms. Shyan Phang transferred 2,500 ordinary shares in the capital of Gemilang Singapore held on trust for Mr. SW Phang and 2,500 ordinary shares in the capital of Gemilang Singapore held on trust for Mr. CY Pang back to Mr. SW Phang and Mr. CY Pang respectively, for the nominal consideration of S\$1.00 for each transfer.

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## **HISTORY, REORGANISATION AND CORPORATE STRUCTURE**

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On the same day, Gemilang BVI (as purchaser) entered into a sale and purchase agreement with Mr. SW Phang and Mr. CY Pang (as vendors), pursuant to which each of Mr. SW Phang and Mr. CY Pang transferred 2,500 ordinary shares in the capital of Gemilang Singapore to Gemilang BVI for a consideration of S\$160,205.50 for each transfer. The consideration was satisfied by Gemilang BVI procuring our Company to allot and issue two shares in our Company to Gemilang International at the direction of Mr. SW Phang and Mr. CY Pang respectively. After the said transfer, Gemilang Singapore became a wholly-owned subsidiary of Gemilang BVI. Details of the Reorganisation are set out in the paragraph headed “Reorganisation” in this section.

The transfer of ordinary shares in the capital of Gemilang Singapore as disclosed above were legally completed and settled in compliance with the laws of Singapore on 20 October 2016 and would not require any approval or permit from the government authorities in Singapore.

### **CONCERT PARTY DEED**

Pursuant to the Concert Party Deed executed by Mr. SW Phang and Mr. CY Pang, Controlling Shareholders, on 20 July 2016, each of Mr. SW Phang and Mr. CY Pang confirmed that, among other things, (i) since 1 November 2012 (a) they had acted in concert and collectively for all material management affairs and had reached unanimous consensus among themselves before the execution of all commercial decisions, including but not limited to financial, operating policies and other material matters of the Operating Companies collectively as a single business venture; (b) they had given unanimous consent, approval or rejection on any other material issues and decisions in relation to the business of the Operating Companies collectively as a single business venture; (c) they had cooperated with each other to obtain and maintain the consolidated control and the management of the Operating Companies; and (d) they had collectively approved all agreements, contracts, banking facilities and notices or internal circulars to staff of the Operating Companies; and (ii) until termination of the Concert Party Deed, (a) they have agreed to consult and shall continue to consult each other and reach a unanimous consensus among themselves on any resolutions passed or proposed to be passed at any meetings of the board of directors and the shareholders of the Operating Companies, and to vote unanimously to approve, reject or to abstain from voting in relation to motions that need to be resolved at the meetings of the Board and the shareholders of the Operating Companies upon reaching a unanimous consensus among themselves, and have historically voted on such resolution in the same way; (b) they have agreed to manage and control and shall continue to manage and control the Operating Companies on a collective basis and make collective decisions in respect of the financial and operating policies and other material matters of the Operating Companies; (c) they have centralised and shall continue to centralise the ultimate control and right to make final decisions with respect to their interest in the business and projects of each of the Operating Companies; and (d) they have operated and shall continue to operate the Operating Companies as a single business venture.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### ACQUISITION OF 50% INTERESTS IN GEMILANG AUSTRALIA

Gemilang Australia was incorporated in Western Australia as a proprietary company with limited liability on 15 September 2009. Since its incorporation, Gemilang Australia has been providing marketing and support services to us in relation to our sales to Australia and New Zealand and after-sales services to our customers in Australia and New Zealand. Immediately prior to our acquisition of 50% interests in the issued share capital of Gemilang Australia, the issued share capital of Gemilang Australia was owned by Mr. CY Pang as to 50%, Mr. Peter James Murley as to 25%, and Topmob Enterprise Pty Ltd. (which, as at the Latest Practicable Date, holds its 25% interests in Gemilang Australia upon trust for the family of Mr. Peter James Murley) as to 25%. Both Mr. Peter James Murley and Topmob Enterprise Pty Ltd. are Independent Third Parties.

On 20 July 2016, Gemilang Asia Pacific (as purchaser) entered into a share sale and purchase agreement with Mr. CY Pang (as vendor), pursuant to which Mr. CY Pang transferred his 50% interests in the issued share capital of Gemilang Australia to Gemilang Asia Pacific for the consideration of AU\$200 which was settled in cash and paid by Gemilang Asia Pacific. For further details, please refer to the section headed “Financial information — Acquisition of 50% interests in Gemilang Australia” of this prospectus.

The acquisition as disclosed above were legally completed and settled in compliance with the laws of Australia on 20 July 2016 and the completion of the acquisition does not require any approval or permit from government authorities in Australia.

### PM’S DEED OF NON-COMPETITION GIVEN BY MR. PETER JAMES MURLEY

In order to confirm that competition will not occur in the future, Mr. Peter James Murley as covenantor has signed the PM’s Deed of Non-Competition with us to the effect that he will not, and will confirm his associates not to, directly or indirectly take part in, or hold any rights or interests or otherwise be involved in, any business which may be in competition with our business.

In accordance with the PM’s Deed of Non-Competition, Mr. Peter James Murley (“**PM Covenantor**”) undertakes that, from the Listing Date and ending on the date of the 18-months period commencing from the date on which PM Covenantor cease to hold (whether legally or beneficially) any interests or shares in our Company and/or any member of our Group and/or Gemilang Australia (the “**Period of Restriction**”), he will not, and will use his best endeavours to procure any of his associates (collectively, the “**PM Controlled Persons**”) and any company directly or indirectly controlled by him (the “**PM Controlled Company**”) not to, either on his own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistance to any person, firm or company (except members of the Group) to

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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conduct any business which, directly or indirectly, competes or may compete with the business of our Company or any of its subsidiaries in Malaysia and Singapore, or such other place as our Company or any of its subsidiaries may conduct business from time to time, including design and manufacture of bus body and bus assembly and any related services (the “**PM Restricted Business**”).

### 1. Non-competition

The PM Covenantor undertakes that he will not, and will use his best endeavours to procure any of the PM Controlled Persons and the PM Controlled Company not to, either on his own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistance to any person, firm or company (except members of our Group) to conduct any business which, directly or indirectly, competes or may compete with the PM Restricted Business.

### 2. New business opportunity

If the PM Covenantor, any PM Controlled Persons and/or any PM Controlled Company is offered or becomes aware of any business opportunity to, directly or indirectly, engage in or own a PM Restricted Business (the “**PM New Business Opportunity**”), the PM Covenantor:

- (a) shall promptly notify our Company of such PM New Business Opportunity in writing and refer the same to our Company for consideration, and shall provide the relevant information to our Company in order to enable us to make an informed assessment of such opportunity; and
- (b) shall not, and shall procure that his PM Controlled Persons or PM Controlled Companies shall not, invest or participate in any PM New Business Opportunity, unless such PM New Business Opportunity shall have been rejected by our Company and the principal terms on which the PM Covenantor or his PM Controlled Persons or PM Controlled Companies shall invest or participate in such PM New Business Opportunity are no more favourable than those made available to our Company.

The PM Covenantor may only engage in the PM New Business Opportunity if (i) a notice is received by the PM Covenantor from our Company confirming that the PM New Business Opportunity is not accepted and/or does not constitute PM Restricted Business (the “**Non-acceptance Notice to PM**”); or (ii) the Non-acceptance Notice to PM is not received by the PM Covenantor within 10 days after the proposal of the PM New Business Opportunity is received by our Company.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### 3. General Undertaking

In order to ensure the performance of the above-mentioned non-competition undertakings, the PM Covenantor will:

- (a) provide all information necessary to our Company and our Directors for the annual review by the independent non-executive Directors with regard to compliance with the terms of the PM's Deed of Non-Competition and the enforcement of the undertakings contained therein by him; and
- (b) make an annual declaration in compliance with such undertakings in the annual reports of our Company and the PM Covenantors acknowledges that our Company will review, at least on an annual basis, the compliance with such undertakings given by him, including all decisions taken in each quarter of the year on whether to pursue a PM New Business Opportunity in accordance with the PM's Deed of Non-Competition and our Company will make disclosures in its annual reports or by way of announcements regarding the decisions and the rationale of those decisions (as appropriate) of our Company on matters referred to in the PM's Deed of Non-Competition and the PM Covenantor gives his general consent to such disclosure.

### 4. Option and right of first refusal

The PM Covenantor undertakes to grant to our Company an option (the "**PM Options**"), as part of the PM's Deed of Non-Competition, to acquire the whole or part of its interest in any PM Restricted Business held directly or indirectly by the PM Covenantor and the business arising from the PM New Business Opportunity above not taken up or deemed to be not taken up by our Company. The price at which the PM Options will be exercised shall be negotiated and agreed at arm's length between our Company and the PM Covenantor at the time of exercise. If the PM Covenantor and our Company fail to agree on the exercise price, an independent internationally recognised firm of valuers will be appointed to determine the exercise price.

The PM Covenantor undertakes to grant to our Company a right of first refusal (the "**PM Right of First Refusal**") as part of the PM's Deed of Non-Completion in the event that the PM Covenantor or any of his associates wishes to sell the whole or any part of its interest in any PM Restricted Businesses owned by him and/or his associate or the business arising from the PM New Business Opportunity above not taken up or deemed to be not taken by our Company (the "**PM Opportunity for Sale**").

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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The PM Covenantor shall serve our Company a written notice which shall include the terms and conditions of and the information and documents necessary in respect of the PM Opportunity for Sale to enable our Company to evaluate the merit of the PM Opportunity for Sale (the “**PM Transfer Notice**”).

Our Company shall serve the PM Covenantor and where applicable any of his associates a written notice stating whether we will acquire the PM Opportunity for Sale on the terms and conditions set out in the PM Transfer Notice within one month thereof.

In the event that our Company serves the written notice stating that we shall not acquire the PM Opportunity for Sale on the terms and conditions set out in the PM Transfer Notice or our Company does not proceed to the acquisition of the PM Opportunity for Sale within one month from the date of the PM Transfer Notice, the PM Covenantor or the relevant associates shall be entitled to transfer the PM Opportunity for Sale to third parties provided always that the terms and conditions of the transfer shall be the same as or no more favourable than those set out in the PM Transfer Notice.

The PM’s Deed of Non-Competition does not apply if the PM Covenantor owns any interest not exceeding five per cents of the issued shares in any company conducting any PM Restricted Business (the “**PM Relevant Company**”), and such company or its holding company is listed on any recognised stock exchange (as defined under the SFO), notwithstanding that the business conducted by the PM Relevant Company constitutes or might constitute competition with the business of our Company or any of its subsidiaries, provided that (i) the shareholding of any one shareholder (and his associates, if applicable) in the PM Relevant Company is more than that of the PM Covenantor and/or its/his associates at any time; and (ii) the total number of the relevant Covenantors’ representatives on the board of directors of the PM Relevant Company is not significantly disproportionate with respect to his shareholding in the PM Relevant Company.

The Deed of Non-Competition and the rights and obligations thereunder are conditional upon the conditions set out in the section headed “Structure of the Global Offering” of this prospectus.

### **PRE-IPO INVESTMENTS**

#### **Overview of the Pre-IPO Investments**

In order to raise funding for the payment of professional fees and other expenses in preparation of the Listing, Gemilang International invited the Pre-IPO Investors to subscribe for the Exchangeable Bonds.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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The entire principal amount of the Exchangeable Bonds will be automatically and mandatorily exchanged into our Shares one business day immediately preceding the Listing Date and whereupon the guarantees given by Mr. SW Phang and Mr. CY Pang in favour of the Pre-IPO Investors will forthwith be released. After full exchange of the Exchangeable Bonds, the Pre-IPO Investors will be interested in an aggregate of approximately 12.45% of the entire issued share capital of our Company immediately before the completion of the Global Offering and, the Shares will rank pari passu with the Shares in issue on the exchange date.

The Pre-IPO Investors will not have any special rights which are not generally available to other Shareholders upon the Listing. Background of the Pre-IPO Investors and details of the respective terms of the Exchangeable Bonds are set out below.

### **Background of the Pre-IPO Investors**

#### ***The First Pre-IPO Investor***

The First Pre-IPO Investor is a company incorporated in BVI and is an investment holding company. The First Pre-IPO Investor is a wholly owned subsidiary of UBA Investments Limited (a company listed on the Stock Exchange under stock code: 768) whose principal businesses include investments in listed and unlisted companies. To the best of the knowledge and belief of our Directors, the First Pre-IPO Investor decided to invest in our Company in view of the business prospects and potential growth of our Group having considered factors including our Group's existing market position in South East Asia, production capability, customer and product portfolio as well as development strategies. Both the First Pre-IPO Investor and its beneficial owner confirmed that the subscription for the Exchangeable Bonds was not financed directly or indirectly by connected persons of our Company. To the best knowledge of our Directors, the First Pre-IPO Investor and its beneficial owner are Independent Third Parties. The First Pre-IPO Investor confirmed that the source of funding to subscribe for the Exchangeable Bonds was from its internal resources.

#### ***The Second Pre-IPO Investor***

The Second Pre-IPO Investor is a company incorporated in BVI and is an investment holding company. The Second Pre-IPO Investor is a wholly owned subsidiary of DT Capital Limited (a company listed on the Stock Exchange under stock code: 356) whose principal businesses include investments in listed and unlisted companies. To the best of the knowledge and belief of our Directors, the Second Pre-IPO Investor decided to invest in our Company in view of the business prospects and potential growth of our Group having considered factors including our Group's existing market position in South East Asia, production capability, customer and product portfolio as well as development strategies. Both the Second Pre-IPO Investor and its beneficial owner confirmed that the subscription for the Exchangeable Bonds was not financed directly or indirectly by connected persons of our Company. To the best knowledge of our Directors, the Second Pre-IPO Investor and its beneficial owner are Independent Third Parties. The Second Pre-IPO Investor confirmed that the source of funding to subscribe for the Exchangeable Bonds was from its internal resources.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### *The Third Pre-IPO Investor*

The Third Pre-IPO Investor is a company incorporated in Samoa and is an investment holding company. The Third Pre-IPO Investor is beneficially owned by Mr. Leung Kai Pui Mickey (“**Mr. Leung**”) as to 50% and Mr. Fan Xinpei (“**Mr. Fan**”) as to 50%. Mr. Leung and Mr. Fan are private investors who look for different investment opportunities including investment in private companies. To the best of the knowledge and belief of our Directors, the Third Pre-IPO Investor, Mr. Leung and Mr. Fan decided to invest in our Company in view of the business prospects and potential growth of our Group having considered factors including our Group’s existing market position in South East Asia, production capability, customer and product portfolio as well as development strategies. Both the Third Pre-IPO Investor and its beneficial owners confirmed that the subscription for the Exchangeable Bonds was not financed directly or indirectly by connected persons of our Company. To the best knowledge of our Directors, the Third Pre-IPO Investor and its beneficial owners are Independent Third Parties. The Third Pre-IPO Investor confirmed that the source of funding to subscribe for the Exchangeable Bonds was from its internal resources.

To the best knowledge of our Directors, the beneficial owners of the Pre-IPO Investors did not have any past or present relationship (including but not limited to, family, business, employment relationship) or any other agreements, arrangements or understanding with our Group, Directors, senior management, or Shareholder of any of their respective associates; and each of them has been an Independent Third Party as at the Latest Practicable Date.

### Summary of the Pre-IPO Investments

	<u>First Pre-IPO Investor</u>	<u>Second Pre-IPO Investor</u>	<u>Third Pre-IPO Investor</u>
<b>Date of Subscription Agreement</b>	27 April 2016	27 April 2016	25 May 2016
<b>Date of payment of final consideration</b>	28 April 2016	29 April 2016	1 June 2016
<b>Consideration paid</b>	HK\$5,000,000	HK\$5,000,000	HK\$5,000,000
<b>Principal amount of the Exchangeable Bonds</b>	HK\$5,000,000	HK\$5,000,000	HK\$5,000,000
<b>Number of Shares to be exchanged upon full exchange of the Exchangeable Bonds</b>	7,781,250	7,781,250	7,781,250
<b>Cost per Share paid</b>	HK\$0.64	HK\$0.64	HK\$0.64
<b>Discount to mid-point of the offer price range</b> <small>(Note 1)</small>	50.9%	50.9%	50.9%



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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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	<u>First Pre-IPO Investor</u>	<u>Second Pre-IPO Investor</u>	<u>Third Pre-IPO Investor</u>
<b>Approximate percentage of shareholding held in our Company upon full exchange of the Exchangeable Bonds immediately after completion of the Global Offering<sup>(Note 2)</sup></b>	3.11%	3.11%	3.11%

### **Benefits from the Pre-IPO Investments**

Widen the shareholder base of the Company and provide additional funds for our Company to meet the Listing expenses

Our Directors further believe that our Group, being currently a Malaysia based manufacturing enterprise, would be able to gain input from the Pre-IPO Investors on their knowledge in the Hong Kong capital markets, particularly on regulatory requirements and corporate governance practice.

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#### *Notes:*

- (1) Calculated based on the Offer Price of HK\$1.31, being the midpoint of the indicative offer price range of HK\$1.20 to HK\$1.42 per Offer Share.
- (2) Calculated based on 7,781,250 Shares to be held by each of the First Pre-IPO Investor, Second Pre-IPO Investor and Third Pre-IPO Investor upon completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or any options granted under the Share Option Scheme).

The terms of the Exchangeable Bonds were arrived at after arm's length negotiation between each of the respective Pre-IPO Investors and Gemilang International. The principal terms of the Exchangeable Bonds issued to each of the respective Pre-IPO Investors are generally the same and as follows:

### **Terms of the Exchangeable Bonds**

**Dates of Subscription Agreement:** 27 April 2016, 27 April 2016 and 25 May 2016

**Aggregate principal amount:** HK\$15,000,000

**Issuer:** Gemilang International

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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<b>Name of the Pre-IPO Investors:</b>	(i) Lucky Joy Investments Limited (ii) Venture Glory Enterprises Limited (iii) Pioneer Luck Holdings Limited
<b>Interest Rate:</b>	Zero coupon bond, interest-free
<b>Maturity Date:</b>	30 June 2017 (or 31 December 2017 as may be extended pursuant to the Subscription Agreements)
<b>Basis of determination of the consideration:</b>	Based on arm's length negotiation between each of our Pre-IPO Investors and Gemilang International with reference to the then forecasted profit after tax of the Group for the year ending 31 October 2016 multiplied by a price-earning ratio.
<b>Transferability:</b>	Except for the Third Pre-IPO Investor, the remaining Pre-IPO Investors shall have the right to transfer the Exchangeable Bond to a third party on or before 14 May 2016 and shall notify Gemilang International in writing no less than 10 business days before the Exchangeable Bond is transferred to a third party, provided that Gemilang International shall have the right to redeem the said Exchangeable Bond and notify the Pre-IPO Investors within 3 business days upon receipt of the said written notice served by the Pre-IPO Investors. As at Latest Practicable Date, the right to transfer the Exchangeable Bonds have not been exercised by any of the Pre-IPO Investors.
<b>Exchange:</b>	Each of the Pre-IPO Investors shall have the right to exchange the entire outstanding principal into Exchange Shares at any time during the Exchange Period at an Exchange Ratio such that the number of Exchange Shares to be transferred upon full exchange of entire principal of each of the Exchangeable Bonds shall represent 4.15% of the issued and enlarged share capital of our Company.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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On the first business day immediately preceding the Listing Date, the then outstanding principal shall automatically be exchanged for Shares at the Exchange Ratio such that the number of Shares to be transferred upon full exchange of entire principal of each of the Exchangeable Bonds shall represent 4.15% of the issued and enlarged share capital of our Company.

**Redemption:**

No Exchangeable Bonds will be repaid or redeemed before the Maturity Date unless the Pre-IPO Investor or the Bondholder intends to transfer the Exchangeable Bond to a third party or an event of default as stated below occurs and the Pre-IPO Investor or Bondholder gives notice to Gemilang International that the Exchangeable Bond be due and payable.

**Events of default:**

- (i) Gemilang International defaults in performance of any of its material obligations contained in the Subscription Agreements;
- (ii) There being any material breach of any representations, warranties or undertakings by Gemilang International;
- (iii) The Listing has not taken place on or before the 10<sup>th</sup> business day before the Maturity Date or as may be extended pursuant to the Subscription Agreements (as the case may be); or
- (iv) Gemilang International decides not to proceed with the Listing.

Upon occurrence of any event of default as set out above, any of the Pre-IPO Investors may give notice to Gemilang International to request that the Exchangeable Bond be due and payable at its principal amount then outstanding together with 5% return, within 10 business days from the notice given.

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## **HISTORY, REORGANISATION AND CORPORATE STRUCTURE**

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### **Summary of material obligations of Gemilang International**

The material obligations of Gemilang International under the Subscription Agreements include:

- Gemilang International shall issue a definitive certificate for the Exchangeable Bonds to the Pre-IPO Investors upon completion of the subscription for the Exchangeable Bonds; and
- Gemilang International shall upon exchange of the Exchangeable Bonds transfer the exchanged Shares to the Bondholders in accordance with the terms of the Subscription Agreements.

### **Summary of representations and warranties by Gemilang International**

A summary of the representations and warranties given by Gemilang International under the Subscription Agreements are set out below:

- Each of Gemilang International and the Operating Companies has been duly established under the laws of its respective jurisdiction and in continuous existence;
- Gemilang International has the right, power and authority and has taken all actions necessary to execute and deliver, and to exercise its rights and performs its obligations under the Subscription Agreements and the documents incidental thereto;
- Gemilang International's obligations under the Subscription Agreements and the documents incidental thereto will be enforceable in accordance with their respective terms;
- Gemilang International has full power and authority to issue the Exchangeable Bonds and all necessary consents, authorisations and approval required for or in connection with the Subscription Agreements and the Exchangeable Bonds have been obtained;
- All information given by or on behalf of Gemilang International to the Pre-IPO Investors leading to the Subscription Agreements is true, accurate, and not misleading;
- No litigation, arbitration or administration proceedings which materially and adversely affects the business or financial condition of our Group is currently taking place or pending or threatened against Gemilang International or the Operating Companies;

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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- Gemilang International and each of the Operating Companies is not in default under any law, regulation, judgment, order or agreement applicable to it or its assets or revenues, the consequences of which default could materially and adversely affect its business or financial condition or the ability of Gemilang International to perform its obligations under the Subscription Agreements; and
- Save as disclosed by Gemilang International, there was no material adverse change in the business, financial position, assets or liabilities of Gemilang International and/or our Group as a whole.

### **Summary of undertakings by Gemilang International**

Provided that the rights and obligations of the parties to the Subscription Agreements as mentioned below shall terminate upon the Listing Date, Gemilang International undertakes with the Pre-IPO Investors that:

- Save for the purpose of implementing the Reorganisation and save and except any proposed share capital arrangement already disclosed to the Pre-IPO Investors, Gemilang International shall not, and shall procure our Company not to, issue any further share capital, or redeem or forfeit any of its issued share capital, or increase, reduce or otherwise alter, or issue any warrants, option (save and except for the Share Option Scheme) or other rights to acquire shares or interests in the issued and/or authorised share capital of Gemilang International or our Company without prior written consent of the Pre-IPO Investors;
- Save and except for the purpose of implementing the Reorganisation or the Share Option Scheme and save and except any proposed share capital arrangement already disclosed to the Pre-IPO Investors, no person shall be granted any interest in or any option or other rights in respect of the Shares without prior written consent of the Pre-IPO Investors;
- The memorandum and/or articles of association of Gemilang International and of our Company shall not be altered or amended without prior written consent of the Pre-IPO Investors, unless such alteration or amendment is required in compliance with legislation or regulation requirements, or is pursuant to the request of relevant governmental authorities;
- Save for the purpose of implementing the Reorganisation, Gemilang International shall not, and shall procure each of the members of the Group not to, dispose of any material business or asset without the Pre-IPO Investors' prior written approval;

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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- Other than interim dividend of up to the aggregate amount of MYR5,000,000 to be declared by Gemilang Coachwork, no dividends shall be declared by any member of our Group unless agreed in writing by the Pre-IPO Investors; and
- The Company shall provide to the Pre-IPO Investors quarterly management accounts, quarterly operating statistics, and annual audited financial statements relating to the members of the Group and the Group on a consolidated basis.

### Use of Proceeds

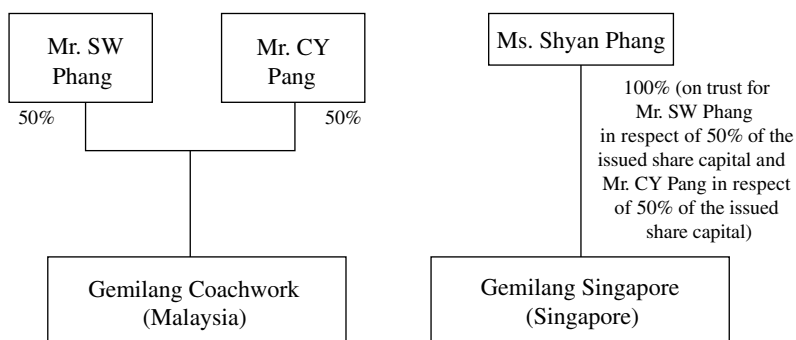
The issuance of Exchangeable Bonds is for the purpose of raising additional funds for the payment of professional fees and other expenses in preparation of the Listing. Up to the Latest Practicable Date, approximately US\$1.60 million out of the net proceeds from the issue of the Exchangeable Bonds has been utilised.

### Compliance with requirements

Since the subscription money for the Exchangeable Bonds have been irrevocably settled on 28 April 2016, 29 April 2016 and 1 June 2016, having reviewed the relevant information and documentation in relation to the Pre-IPO Investments, the Sole Sponsor is of the view that the issue of the Exchangeable Bonds is in compliance with the guidance letters (HKEx-GL29-12, HKEx-GL43-12 and HKEx-GL44-12), to the extent applicable, on Pre-IPO Investments issued by the Stock Exchange.

### REORGANISATION

The Group comprising Gemilang Coachwork and Gemilang Singapore underwent the Reorganisation to establish and rationalise our Group structure for the Listing. Following the Reorganisation, our Company became the holding company of our Group. Set out below is the shareholding structure of our Group immediately prior to the implementation of the Reorganisation:



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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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Prior to the Reorganisation, the issued share capital of Gemilang Coachwork was held by Mr. CY Pang and Mr. SW Phang as to 50% and 50% respectively. The issued share capital of Gemilang Singapore was held by Ms. Shyan Phang on trust for Mr. CY Pang and Mr. SW Phang in respect of 50% of the issued share capital for each of Mr. CY Pang and Mr. SW Phang.

Our Group underwent the following Reorganisation in preparation for the Listing, the key steps which are as follows:

- (1) issuance of Exchangeable Bonds to Pre-IPO Investors;
- (2) incorporation of our Company in the Cayman Islands as the holding company and listing vehicle of our Group;
- (3) incorporation of Gemilang BVI;
- (4) incorporation of Gemilang Asia Pacific;
- (5) acquisition of Gemilang Coachwork and Gemilang Singapore by Gemilang BVI;
- (6) increase of share capital of the Company;
- (7) capitalisation of the loan of HK\$15,000,000;
- (8) automatic exchange of the Exchangeable Bonds; and
- (9) distribution in specie by Gemilang International of the Shares.

As at the date of this prospectus, all the relevant regulatory approvals necessary in effecting the Reorganisation have been obtained.

**(i) Incorporation of holding companies**

**(a) Sun Wah**

On 18 February 2016, Sun Wah was incorporated in the BVI as a BVI business company with limited liability with an authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1 each, of which one share was allotted and issued fully paid to Mr. SW Phang. Mr. SW Phang is the sole director of Sun Wah.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### ***(b) Golden Castle***

On 18 February 2016, Golden Castle was incorporated in the BVI as a BVI business company with limited liability with an authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1 each, of which one share was allotted and issued fully paid to Mr. CY Pang. Mr. CY Pang is the sole director of Golden Castle.

### ***(c) Gemilang International***

On 1 March 2016, Gemilang International was incorporated in the BVI as a BVI business company with limited liability with an authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1 each, of which one share was allotted and issued fully paid to Mr. SW Phang, and one share was issued and allotted fully paid to Mr. CY Pang. Mr. SW Phang and Mr. CY Pang were appointed as directors of Gemilang International.

On 18 July 2016, Mr. SW Phang transferred his one share in Gemilang International to Sun Wah at the consideration of US\$1, and Mr. CY Pang transferred his one share in Gemilang International to Golden Castle at the consideration of US\$1. After the said transfer, the entire issued share capital of Gemilang International was owned by Sun Wah as to 50% and by Golden Castle as to 50%.

### **(ii) Issuance of Exchangeable Bonds to Pre-IPO Investors**

Gemilang International entered into the Subscription Agreements with the Pre-IPO Investors on 27 April 2016, 27 April 2016 and 25 May 2016. Pursuant to the Subscription Agreements, each of the Pre-IPO Investors has agreed to subscribe for the Exchangeable Bond in the principal amount of HK\$5 million and Gemilang International has on 29 April 2016, 29 April 2016 and 1 June 2016 issued the Exchangeable Bonds in the aggregate principal amount of HK\$15,000,000 to the Pre-IPO Investors. Each Pre-IPO Investor shall have the right to exchange the Exchangeable Bond into Shares equivalent to 4.15% of the issued and enlarged share capital of the Company during the Exchange Period. Please refer to the paragraph headed “Pre-IPO Investments” in this section for further details.

### **(iii) Incorporation of our Company in the Cayman Islands as the holding company and listing vehicle of our Group**

Our Company was incorporated in the Cayman Islands on 21 June 2016 with limited liability as an exempted company, with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. It is an investment holding company. Upon incorporation, one Share was allotted and issued fully paid to the initial subscriber, an Independent Third Party, this one



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## **HISTORY, REORGANISATION AND CORPORATE STRUCTURE**

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Share was subsequently transferred to Gemilang International on the same date. Following such transfer, the entire issued share capital of the Company (represented by one Share) was owned by Gemilang International. Mr. SW Phang, Mr. CY Pang and Ms. Shyan Phang were appointed as Directors on the same date.

### **(iv) Incorporation of Gemilang BVI**

On 28 June 2016, Gemilang BVI was incorporated in the BVI as a BVI business company with limited liability with an authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1 each, of which one share was allotted and issued fully paid to the Company. Mr. SW Phang and Mr. CY Pang were appointed directors of Gemilang BVI. It is an investment holding company.

### **(v) Incorporation of Gemilang Asia Pacific**

On 28 June 2016, Gemilang Asia Pacific was incorporated in the BVI as a BVI business company with limited liability with an authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1 each, of which one share was allotted and issued fully paid to the Company. Mr. SW Phang and Mr. CY Pang were appointed directors of Gemilang Asia Pacific. It is an investment holding company.

### **(vi) Acquisition of Gemilang Coachwork by Gemilang BVI**

On 20 October 2016, Gemilang BVI (as purchaser) entered into a share sale and purchase agreement with Mr. SW Phang and Mr. CY Pang (as vendors), pursuant to which Mr. SW Phang and Mr. CY Pang transferred 1,000,000 shares and 1,000,000 shares respectively in Gemilang Coachwork, which represented the entire issued share capital of Gemilang Coachwork, to Gemilang BVI for the consideration of MYR11,533,029.50 and MYR11,533,029.50 respectively. The consideration was satisfied by:

- (a) Gemilang BVI procuring the Company to allot and issue one share in the Company, credited as fully paid, at the direction of Mr. SW Phang, to Gemilang International; and
- (b) Gemilang BVI procuring the Company to allot and issue one share in the Company, credited as fully paid, at the direction of Mr. CY Pang, to Gemilang International.

As a result, Gemilang Coachwork became directly wholly-owned by Gemilang BVI.

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## **HISTORY, REORGANISATION AND CORPORATE STRUCTURE**

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The transfer of ordinary shares in the capital of Gemilang Coachwork as disclosed above were legally completed and settled in compliance with the laws of Malaysia on 20 October 2016 and would not require any approval or permit from any government authorities in Malaysia.

### **(vii) Acquisition of Gemilang Singapore by Gemilang BVI**

On 20 October 2016, Ms. Shyan Phang transferred 2,500 ordinary shares in the capital of Gemilang Singapore held on trust for each of Mr. SW Phang and Mr. CY Pang back to Mr. SW Phang and Mr. CY Pang respectively, for the nominal consideration of S\$1.00 for each transfer. Thereafter, on the same day, Gemilang BVI (as purchaser) entered into a share sale and purchase agreement with Mr. SW Phang and Mr. CY Pang (as vendors), pursuant to which each of Mr. SW Phang and Mr. CY Pang transferred 2,500 ordinary shares in the capital of Gemilang Singapore to Gemilang BVI for a consideration of S\$160,205.50 for each transfer. The consideration was satisfied by Gemilang BVI procuring our Company to allot and issue two shares in our Company to Gemilang International at the direction of Mr. SW Phang and Mr. CY Pang respectively. As a result of the said transfer, Gemilang Singapore became a wholly-owned subsidiary of Gemilang BVI.

The transfer of ordinary shares in the capital of Gemilang Singapore as disclosed above were legally completed and settled in compliance with the laws of Singapore on 20 October 2016 and would not require any approval or permit from the government authorities in Singapore.

### **(viii) Increase of Share Capital of the Company**

By ordinary resolution of the sole shareholder of our Company passed on 21 October 2016, the authorised share capital of our Company was increased to HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each by creation of an additional 1,962,000,000 Shares of HK\$0.01 each. The said increase of share capital of our Company was properly and legally completed and settled.

### **(ix) Capitalisation of the loan of HK\$15,000,000**

On 21 October 2016, Gemilang International entered into a loan capitalisation agreement with the Company, pursuant to which the Company allotted and issued 187,499,995 new Shares, credited as fully paid to Gemilang International by way of capitalisation of the loan in the amount of HK\$15,000,000 owing by our Company to Gemilang International.

After the said capitalisation issue, Gemilang International holds 187,500,000 Shares in the Company representing the entire issued share capital of the Company.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### (x) Automatic exchange of the Exchangeable Bonds

On the first business day immediately preceding the Listing Date, the principal amount owed to each of the Pre-IPO Investors will be automatically and mandatorily exchanged into 7,781,250, 7,781,250 and 7,781,250 Shares respectively, represented 4.15%, 4.15% and 4.15% of the entire issued share capital of the Company respectively. The shareholding of the Company after the aforesaid exchange will be as follows:

<u>Shareholder</u>	<u>Number of Shares</u>	<u>Percentage of shareholding</u>
Gemilang International . . . . .	164,156,250	87.55%
First Pre-IPO Investor . . . . .	7,781,250	4.15%
Second Pre-IPO Investor . . . . .	7,781,250	4.15%
Third Pre-IPO Investor . . . . .	7,781,250	4.15%
<b>Total . . . . .</b>	<b>187,500,000</b>	<b>100%</b>

### (xi) Distribution in specie by Gemilang International of Shares

Immediately following the automatic exchange of the Exchangeable Bonds, Gemilang International will declare a distribution in specie of all Shares then held by Gemilang International to its shareholders on a pro-rata basis. Following the said distribution in specie, the shareholding of the Company will be as follows:

<u>Shareholder</u>	<u>Number of Shares</u>	<u>Percentage of shareholding</u>
Sun Wah . . . . .	82,078,125	43.775%
Golden Castle . . . . .	82,078,125	43.775%
First Pre-IPO Investor . . . . .	7,781,250	4.15%
Second Pre-IPO Investor . . . . .	7,781,250	4.15%
Third Pre-IPO Investor . . . . .	7,781,250	4.15%
<b>Total . . . . .</b>	<b>187,500,000</b>	<b>100%</b>

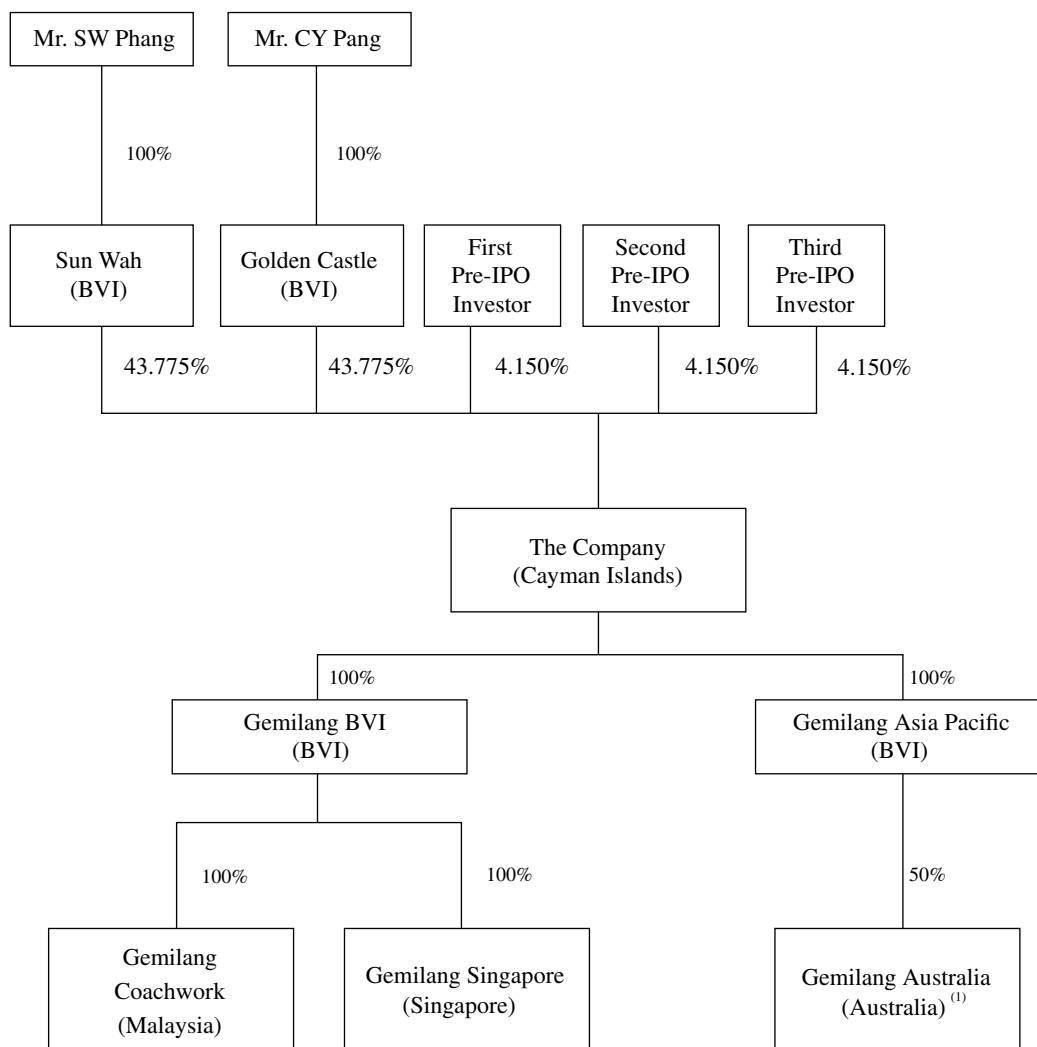
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# HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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## GROUP STRUCTURE AFTER REORGANISATION AND BEFORE COMPLETION OF THE GLOBAL OFFERING

The shareholding and corporate structure of our Group immediately after completion of the Reorganisation but before the completion of the Global Offering is set out in the chart below:



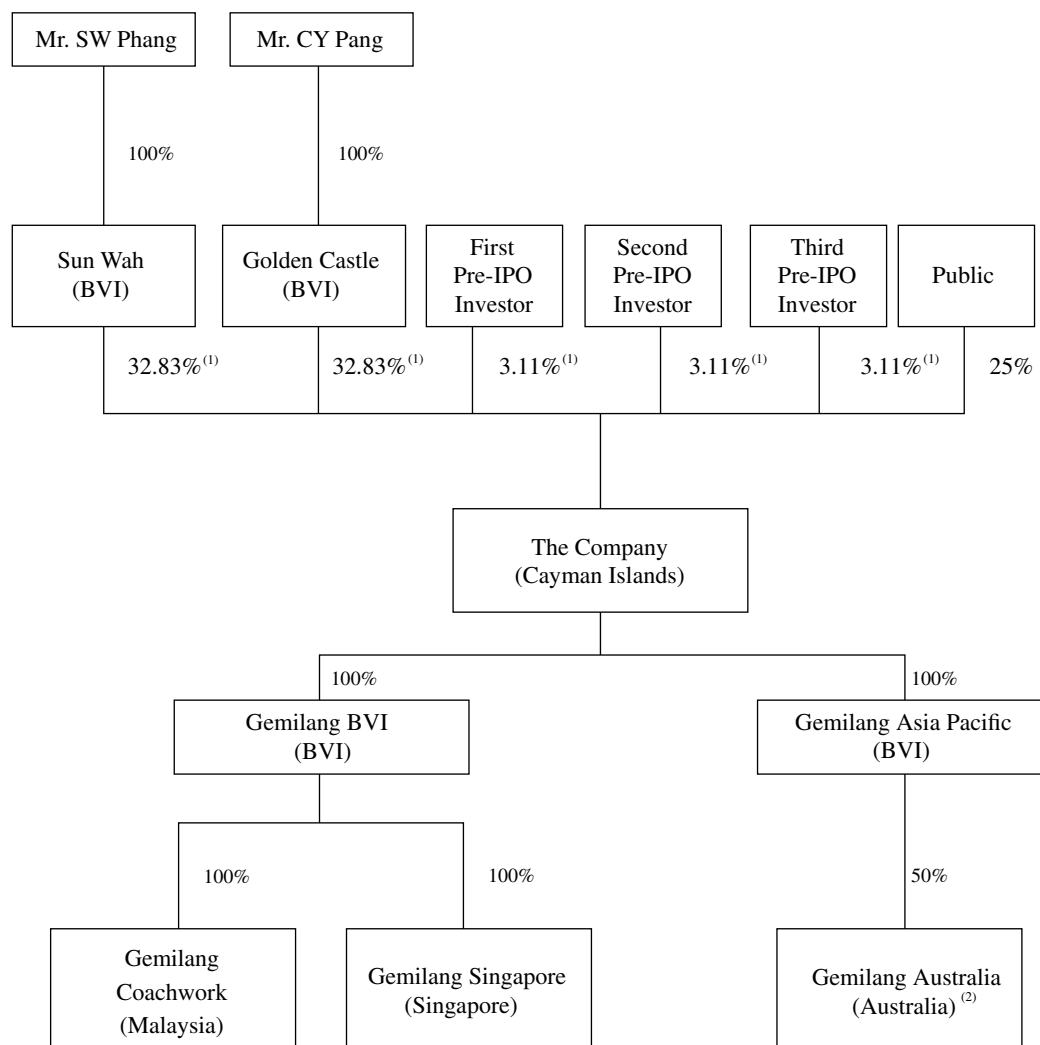
*Note:*

- (1) Gemilang Australia is owned by Gemilang Asia Pacific as to 50%, Topmob Enterprises Pty Ltd (which, as at the Latest Practicable Date, holds its 25% interests in Gemilang Australia upon trust for the family of Mr. Peter James Murley) as to 25% and Mr. Peter James Murley as to 25%. Both Topmob Enterprises Pty Ltd and Mr. Peter James Murley are Independent Third Parties.

# HISTORY, REORGANISATION AND CORPORATE STRUCTURE

## THE SHAREHOLDING AND CORPORATE STRUCTURE OF OUR GROUP IMMEDIATELY AFTER COMPLETION OF THE REORGANISATION AND THE GLOBAL OFFERING

The shareholding and corporate structure of our Group immediately after completion of the Reorganisation and the Global Offering (assuming no exercise of the Offer Size Adjustment Option) is set out in the chart below:



Notes:

- (1) Percentage shareholding rounded to the nearest hundredth.
- (2) Gemilang Australia is owned by Gemilang Asia Pacific as to 50%. Topmob Enterprises Pty Ltd (which, as at the Latest Practicable Date, holds its 25% interests in Gemilang Australia upon trust for the family of Mr. Peter James Murley) as to 25% and Mr. Peter James Murley as to 25%. Both Topmob Enterprises Pty Ltd and Mr. Peter James Murley are Independent Third Parties.

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# BUSINESS

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## OVERVIEW

We design and manufacture bus bodies and assemble buses and have over 25 years of track record in the industry. We divide our target markets into two segments, namely core markets which comprise Singapore and Malaysia, and developing markets which comprise all other markets to where we export our products including Australia, Hong Kong, China and India. According to Ipsos, we are one of the major bus body manufacturers in Malaysia and Singapore in 2015 based on the estimated revenue generated in Malaysia and Singapore markets, respectively. 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 manufacturing facility is located in Johor, with four ports in its proximity and right next to Singapore.

Our products mainly include single deck, double deck and articulated city buses, as well as single deck, double deck and high deck coaches, or their respective bus bodies ranging from nine to 18 metres in length. 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) which we assemble onto chassis for direct delivery. During our production process, we do not manufacture all the components of the entire bus units at our facility, but we would build on the chassis produced by our chassis principals and other components sourced from other suppliers. We work closely with chassis principals and/or directly with bus transportation operators to provide customised solutions to suit their specific needs. Our chassis principals include MAN, Mercedes-Benz, Scania and Volvo, and the majority of these chassis principals have had business relationships with us for over 10 years. These chassis principals are the main contractors that bid for bus supply contracts who then place corresponding orders with us either directly or indirectly through their agents. Based on years of business relationships and collaborations with chassis principals, we have acquired the design capabilities and developed the production know-how to produce a wide-range of bus bodies on a variety of chassis customised to the specific requirements of bus transportation operators in different markets.

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.

We put a lot of emphasis on the quality and safety of our products, as well as the safety of our facility operations. Our products are designed and manufactured in accordance with various international standards and regulations including, Singapore's Road Traffic Act, Malaysia Motor Vehicle (Construction and Use) Rules 1959 and UNECE Vehicle Regulations/ECE Regulations. As at 30 April 2016, we are one of the seven bus body builders which have entered into a global supply

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## BUSINESS

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contract with Scania. In addition, we are also one of the bus body manufacturers and bus assembler outside Australia that are registered in the RVCS of the Australian Government. In order to be registered in the RVCS, we have to be in compliance with the ADRs and Australian Motor Vehicle Standard Act 1989.

For the six months ended 30 April 2016, approximately 78.3% of our revenue was derived from the sales of aluminium buses and bus bodies. According to Ipsos, demand in aluminium bus and bus body will continue to experience a higher growth due to increasing demand to use materials that fits 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. During Track Record Period, we have delivered 15 units of electric bus (which corresponded to approximately 2.57% of total number of CBUs delivered during Track Record Period) which are used in Bus Rapid Transit (BRT) Sunway Line in Malaysia, as well as shipped over 100 CKDs for electric buses to Zhejiang CRRC Electric Vehicle Co., Ltd.. In addition, we are currently in the negotiation for orders of 11 units of electric bus in Hong Kong and have secured orders for six units of electric bus in Australia. We believe our know-how to manufacture aluminium bus bodies and assemble aluminium buses has put us in a strong position to tap into the electric buses market which we believe will be of high demand going forward.

We have developed a strategic partnership with Constellium through our founders since 2001. Constellium is the top supplier of large profiles and strong alloy extrusions in Europe and the joint first in vehicle crash management systems in the world. According to the Constellium Licence Agreement, we have the general licence and right to make use of the EcoRange System, previously known as Alcan Bus Systems, a proprietary bus body superstructure building system owned by Constellium, for the assembly, manufacture and production of aluminium buses and bus bodies in our facility in Malaysia as well as for the sales, maintenance and after-sales services of buses for customers in Asia, Australia and New Zealand. We are also Constellium's sole licensee for the EcoRange System in Singapore and Malaysia. Throughout the years, we have been working closely with Constellium in providing bus solutions in the Asia Pacific market.

Our total revenue were approximately US\$32.37 million, US\$34.33 million, US\$41.07 million and US\$16.75 million for the years ended 31 October 2013, 2014 and 2015 and the six months ended 30 April 2016, respectively. Our gross profit were approximately US\$6.57 million, US\$7.01 million, US\$9.20 million and US\$4.13 million for the years ended 31 October 2013, 2014 and 2015 and the six months ended 30 April 2016, respectively. For the six months ended 30 April 2016, 86.1% of our revenue was derived from our six major markets, comprising Singapore, Malaysia, Australia, Hong Kong, China and India. For details, please refer to the paragraph headed "Our principal business" in this section.

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# BUSINESS

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## COMPETITIVE STRENGTHS

### **We have over 25 years of proven track record in the bus and bus body industry**

Through our continued efforts for over 25 years, we have built a reputation as a quality and reliable bus body manufacturer and bus assembler in Asia. According to Ipsos, we are one of the major bus body manufacturers in Malaysia and Singapore in 2015 based on the estimated revenue generated in Malaysia and Singapore markets, respectively. Our products have been sold to over 10 markets, including Singapore, Malaysia, Australia, Hong Kong, China and India. In particular, our products are mainly used as city buses by public and private bus transportation operators. During the Track Record Period and up to the Latest Practicable Date, we have produced and supplied buses and bus bodies to major bus transportation operators including SBS Transit and SMRT in Singapore, Rapid Bus Sdn. Bhd. in Malaysia (including Rapid Kuantan and Rapid KL), China Travel Tours Transportation Development (HK) Ltd. and Kwoon Chung Bus in Hong Kong.

According to Ipsos, our market share in the sales of aluminium buses to the bus transportation operators in Malaysia and Singapore for 2015 was 33.2% and 43.8%, respectively, based on sales volume. We believe bus is a major mean of public and private transportation in most countries/cities where we sell our products. In the near future, we expect continuous demand for our products from the bus transportation operators in our target countries, which will mainly be driven by (i) the expansion of bus routes due to the urbanisation of many of our target countries; (ii) the continual upgrading and replacement of their existing bus fleet; and (iii) the gain in popularity of electric bus. We believe our market position and reputation established through over 25 years of operation will enable us to benefit from the growing demand for buses in the public and private transportation industry in Asia, Australia and New Zealand.

### **We provide integrated solutions to our customers in terms of design and manufacturing of bus bodies and bus assembly**

Throughout the years of our operation, we have accumulated extensive experience and know-how to provide customised solutions in the following core activities:

*(i) Conceptualisation and design*

Our conceptualisation and design capabilities and expertise, including prototyping, have allowed us to design the interior and exterior of the entire bus as well as to undertake modification on the layout and dimensions in fulfilling the specific demands and requirements of our customers;



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## BUSINESS

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### *(ii) Manufacturing*

We have the capability to manufacture bus bodies and assemble a wide range of buses including single deck, double deck and articulated city buses, single deck, double deck and high deck coaches, or bus bodies ranging from nine to 18 metres in length. Besides CBUs, we also manufacture SKDs and CKDs according to the specific requirements of our customers. We believe that our technical capability, flexibility and know-how represent significant competitive advantages over our competitors in the industry.

We have also developed the expertise and know-how in assembling aluminium buses and manufacturing aluminium bus bodies, by applying the EcoRange System on a wide range of chassis and this allows us to bid for different projects in different markets.

### *(iii) Quality and safety tests*

Our in-house testing facilities include, in particular, tilt test platform to assess the stability of the vehicle, and rollover test platform to ensure the bus safety in the event of a rollover accident. The tests are in place to ensure that our products are in compliance with the relevant safety requirements.

In addition to the above tests, we also perform various quality and compliance control measures as part of our quality assurance process. All our products are subject to pre-delivery inspection by both our in-house team and, in certain cases, our customers.

### **We have built long standing business relationships with chassis principals and bus transportation operators in our target markets**

Over the years, we have built long standing business relationships with many chassis principals, which include MAN, Mercedes-Benz, Scania and Volvo, most of which have business relationships with us in excess of 10 years. We believe these chassis principals command a majority share of the global commercial vehicle market. During the Track Record Period, we have won awards for three consecutive years from MAN for outstanding achievement for our bus bodies built on MAN chassis. Scania Singapore Pte Ltd has given us a commemorative award in 2013 to honour our 10 years of working relationship with them. We are one of the seven qualified global suppliers of Scania as at 30 April 2016. In addition, we have built close relationships with the bus transportation operators and their purchasing agents in our target markets. For example, our business relationships with the main bus transportation operators in Singapore, namely SBS Transit and SMRT, have been established since 2007.

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## **BUSINESS**

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Through our long term working relationship with a number of key chassis principals, we have developed the know-how of manufacturing bus bodies that fit in different technical specifications of their chassis. Our engineers work closely with the engineering and design teams of our chassis principals for, among others, designing products, resolving technical issues, improving product quality and enhancing production efficiency. As a result, we have been engaged as a bidding partner of these chassis principals for new bus projects.

### **We are recognised for our product quality and safety**

Our buses and bus bodies have been designed, manufactured and/or assembled in accordance to various international standards and regulations. Over the years, we have produced buses and bus bodies that conform to the relevant regulatory requirements in places including Malaysia, Singapore, Australia and Hong Kong. With over 25 years of experience, we have developed a set of comprehensive internal quality procedures to ensure the quality and safety of our products.

Many of our chassis principals and bus transportation operators have conducted regular site audit at our production facility to ensure our production procedures are in conformity with their specific requirements. Through the years, we have been accredited by various professional industry associations and authorities as a qualified bus assembler and bus body manufacturer. As at the Latest Practicable Date, we were one of the few manufacturers outside Australia that were on the panel list of manufacturers who were able to produce and deliver buses in accordance with the ADRs and Australian Motor Vehicle Standard Act 1989. This qualifies us to sell our products in Australia. Our compliance with various standards and regulations and our accreditations by the respective regulatory bodies have provided us with a competitive advantage to secure business opportunities in local and overseas markets. For details of our accreditations, please refer to the paragraph headed “Our certifications” in this section.

### **We have a stable and experienced management team**

We have a stable and experienced management team led by Mr. SW Phang, the chairman of our Board and Mr. CY Pang, our chief executive officer and executive Director, both have been working in the industry for over 25 years. As the chairman of our Board, Mr. SW Phang is responsible for the management of our daily operations and our business development. As the chief executive officer of the Company, Mr. CY Pang is involved in developing the strategic direction and marketing of our Group. Under their leadership and management, we have grown to become one of the market leaders in Singapore and Malaysia.

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## BUSINESS

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In addition, our senior management members including Ms. Shyan Phang and Mr. Peter Phang have years of industry and corporate experience. Ms. Shyan Phang, our chief corporate officer and one of our executive Directors, is responsible for general administration, accounting and finance, human resources, and other corporate matters. She brings with her eight years of corporate experience. Mr. Peter Phang is our general manager who is responsible for overall production, procurement and logistics. He has more than 10 years' experience in the bus industry including two years of business development experience with Scania. In addition, our other senior management members have experience in the industry ranging from nine to 19 years.

Our management team is dedicated to create value for us with their in-depth understanding of market dynamics, internal training and customer demands. We believe the knowledge of our management team is essential to our success and enables us to seize market opportunities, formulate effective business strategies, evaluate and control risks, implement management and production plans, and enhance our profitability.

### **BUSINESS STRATEGIES**

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

The following highlights our key development strategies:

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

China's bus market and industry is the largest in the world. The demand for buses in China is expected to increase by an average of 9% per annum from 2016 to 2020 and the general demand for electric buses is also expected to increase. We have, to date, established business relationships with customers in Hong Kong and several other cities in China. We have the intention in the future to set up an office in China and/or Hong Kong to better serve our existing customers and further develop these markets. Initially we will export our products to China and if the business is proven to be successful and sustainable, we may consider setting up a manufacturing facility or operation in China. As at the Latest Practicable Date, there is no solid plan for the establishment of any manufacturing facilities in China.

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## BUSINESS

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### **We plan to expand our manufacturing capacity in Malaysia**

As we are approaching our full production capacity, and in view of the positive outlook in demand, we are in the process of further expanding our manufacturing facility in Johor by constructing a new facility next to our existing plant. This expansion will increase our aggregate bus and bus body production capacity by approximately 20 buses per month. In addition, we plan to purchase more machinery and equipment such as cutting machines and overhead cranes for the new facility. We expect the new facility will be in full operation by 2017. We estimate that the total cost comprising land cost, construction cost and initial set up cost of the new facility, as well as the cost for purchase of machineries and equipment will be approximately MYR21.8 million (equivalent to approximately HK\$41.42 million) (“Initial Investment Cost”). The payback period (when the cumulative net cash flow is sufficient to cover the Initial Investment Cost) is approximately 47 months. As at the Latest Practicable Date, we have used approximately MYR6.4 million (equivalent to approximately HK\$12.2 million) for the construction of the new facility which was funded by internal resources and bank facilities. We intend to repay the bank loan for the construction of the new facility and to finance the remaining cost in relation to the new facility by the Listing proceeds.

In addition, we will continue to upgrade and improve our production process by enhancing the automation of our currently manufacturing facility by installing new automated machineries.

### **We will further enhance our strategic partnership with chassis principals**

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

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

- Develop new markets with our chassis principals;
- Develop new bus models with our chassis principals;
- Share our bus production technology and know-how in improving production efficiency; and
- Leverage our market position to help our chassis principals to enter into new markets.

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## BUSINESS

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### **We aim to consolidate our leading position in Malaysia and Singapore**

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

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

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

### **We will further diversify our product portfolio**

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

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

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

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## BUSINESS

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### OUR PRINCIPAL BUSINESS

We are one of the major bus body manufacturers and bus assemblers in Malaysia and Singapore and have over 25 years of track record in the industry. We design and manufacture a range of aluminium and steel bus bodies (SKDs and CKDs) and assemble buses (CBUs). Our products have been sold to over 10 countries and our buses serve public and private bus transportation operators mainly in markets including Singapore, Malaysia, Australia, Hong Kong, China and India.

### OUR PRODUCTS

We offer a comprehensive product portfolio covering both city buses and coaches, including single deck, double deck and articulated city buses, and single deck, double deck and high deck coaches, which are set out in the following table:

<u>Type of Product</u>	<u>Single Deck</u>	<u>Double Deck</u>	<u>High Deck</u>	<u>Articulated</u>
<b><u>Bus (CBU)</u></b>				
City Bus				
— Aluminium	✓	✓	—	✓
— Steel	✓	✓	—	—
Coach				
— Aluminium	✓	—	—	—
— Steel	✓	✓	✓	—
<b><u>Bus Body</u></b>				
<b>SKD</b>				
City Bus				
— Aluminium	✓	✓	—	✓
— Steel	✓	✓	—	—
Coach				
— Aluminium	✓	—	—	—
— Steel	✓	✓	✓	—
<b>CKD</b>				
City Bus				
— Aluminium	✓	✓	—	✓
— Steel	✓	✓	—	—
Coach				
— Aluminium	✓	—	—	—
— Steel	✓	✓	✓	—

## BUSINESS

The breakdown of our revenue by types of materials for bus assembly and bus body manufacturing during the Track Record Period is as follows:

	For the year ended 31 October						For the six months ended 30 April 2016	
	2013		2014		2015		US\$'000	%
	US\$'000	%	US\$'000	%	US\$'000	%		
<b>Bus Assembly and Bus Body</b>								
<b>Manufacturing</b>								
— Aluminium bus and bus body . . . . .	26,115	80.7	25,140	73.2	35,839	87.3	13,121	78.3
— Steel bus and bus body . . .	3,628	11.2	5,226	15.2	3,532	8.6	2,703	16.1
Maintenance and aftersales service . . . . .	2,628	8.1	3,963	11.6	1,699	4.1	930	5.6
<b>Total . . . . .</b>	<b>32,371</b>	<b>100.0</b>	<b>34,329</b>	<b>100.0</b>	<b>41,070</b>	<b>100.0</b>	<b>16,754</b>	<b>100.0</b>

### Form of delivery

We deliver our products in the form of CBU, SKD and CKD to cater for different customers' needs and requirements.

- CBU refers to a fully assembled and completed bus which is ready for use or operation.
- SKD refers to semi knocked down parts, where we would provide five major components, comprising front frame, rear frame, left and right side frame and roof. These frames and roof are not joined to each other.
- CKD refers to completely knocked down parts and components for the side, front, rear and extended chassis frames, and roof.

For SKD and CKD, we would also provide on-ground training to local assemblers, for the assembly of our products.

We primarily deliver our products in CBU and CKD for the export market while the products in SKD forms are mainly for the local market in Malaysia.

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The breakdown of our revenue by product types and forms of delivery during the Track Record Period is as follows:

	For the year ended 31 October						For the six months ended 30 April	
	2013		2014		2015		2016	
	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%
<b>Bus (CBU)</b>								
— City Bus . . . . .	18,895	58.4	13,678	39.8	31,539	76.8	11,263	67.2
— Coach. . . . .	2,449	7.6	4,419	12.9	2,885	7.0	3,202	19.1
<b>Bus Body</b>								
<b>CKD</b>								
— City Bus . . . . .	105	0.3	2,868	8.4	2,100	5.1	127	0.8
— Coach . . . . .	895	2.8	—	—	—	—	600	3.6
<b>SKD</b>								
— City Bus . . . . .	7,399	22.8	9,401	27.4	2,847	6.9	632	3.8
— Coach . . . . .	—	—	—	—	—	—	—	—
Maintenance and aftersales service . . . . .	2,628	8.1	3,963	11.5	1,699	4.2	930	5.5
<b>TOTAL . . . . .</b>	<b>32,371</b>	<b>100.0</b>	<b>34,329</b>	<b>100.0</b>	<b>41,070</b>	<b>100.0</b>	<b>16,754</b>	<b>100.0</b>

### Bus types

The table below set forth the two types of buses or bus bodies delivered during the Track Record Period:

	For the year ended 31 October						For the six months ended 30 April 2016	
	2013		2014		2015		30 April 2016	
	CBU	CKD/SKD	CBU	CKD/SKD	CBU	CKD/SKD	CBU	CKD/SKD
<b>City Bus</b>								
Single deck . .	186	151	123	275	227	169	47	15
Double deck . .	1	—	1	—	26	—	42	—
Articulated . . .	—	—	—	1	39	—	2	2
<b>Coach</b>								
Single deck . .	31	20	51	—	44	—	43	12
High deck . . .	7	—	16	—	14	—	2	—
Double deck . .	—	—	—	—	—	—	—	—
<b>Total. . . . .</b>	<b>225</b>	<b>171</b>	<b>191</b>	<b>276</b>	<b>350</b>	<b>169</b>	<b>136</b>	<b>29</b>



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### *(1) City bus*

During the Track Record Period, revenue from our bus and bus body for city buses amounted to US\$26.40 million, US\$25.95 million, US\$36.49 million and US\$12.02 million, which accounted for 81.6%, 75.6%, 88.8% and 71.8% of our Group's total revenue, respectively.

City buses are commonly used for relatively short distances with multiple stops, usually within defined suburban and urban areas. City buses are used primarily as local public transportation servicing on a specific route within a designated city or town.

Our range of city buses includes single deck, double deck and articulated buses:

#### *(a) Single deck bus*

Single deck bus refers to a single storey bus. Although this may vary depending on the country, generally, single deck buses are characterised by a height between three metres and three and half metres and length commonly between nine metres and 12 metres, Single deck bus has a typical seating capacity range from 25 seats to 34 seats.



Single deck bus has always been our major product. During the Track Record Period, we have produced a total of 583 units of CBU for single deck buses, of which 15 were for electric buses. For the year ended 31 October 2013, 2014 and 2015 and the six months ended 30 April 2016, revenue generated from our delivery of electric bus in the form of CBUs, CKDs and SKDs amounted to approximately US\$nil, US\$1.80 million, US\$3.35 million and US\$0.20 million, respectively. As at the Latest Practicable Date, we had a total of five projects in progress for the delivering of 23 units of CBU for single deck buses.

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*(b) Double deck bus*

Double deck bus refers to a two-storey bus, generally characterised by a height averaging 4.4 metres and length averaging of 12 metres. Double deck city bus has a typical seating capacity ranged from 85 seats to 98 seats.

Double deck buses are designed in two forms:

- (i) Close top, which refers to a bus built with a rooftop; and
- (ii) Open top, which refers to a bus built with a partial roof or without a roof. An open top double decker is commonly used as a tour bus ferrying passengers for sightseeing purposes.



During the Track Record Period, we have produced a total of 70 units of CBU for double deck buses. As at the Latest Practicable Date, we had a total of five projects in progress for the delivering of 172 units of CBU for double deck buses.

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(c) *Articulated bus*

An articulated bus consists of two or more sections or bodies that are connected by a flexible joint. An articulated bus is normally a single deck bus with an average length of 18 metres. This enables an articulated bus to take more passengers compared to a single deck bus. Articulated bus has a seating capacity ranged from 40 seats to 52 seats.



During the Track Record Period, we have produced a total of 41 units of CBU for articulated buses.

(2) *Coach*

During the Track Record Period, revenue from our assembly and manufacture of bus and bus body for coaches amounted to US\$3.34 million, US\$4.42 million, US\$2.89 million and US\$3.80 million, which accounted for 10.3%, 12.9%, 7.0% and 22.7% of our Group's total revenue, respectively.

Coaches are designed for comfortable and long distance travel, as well as for special purposes such as private hire and packaged tours. Coaches are commonly high floor buses with a floor height of about four feet from the ground. In some cases, we also assemble low floor coaches for the ease of boarding for aged and disabled passengers.

Our range of coaches includes single deck, double deck and high deck models.

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*(a) Single deck coach*

The length and height of single deck coaches are generally similar to those single deck buses. Single deck coach has a typical seating capacity of 49 seats to 53 seats.



During the Track Record Period, we have produced a total of 201 units of CBU for single deck coaches. As at the Latest Practicable Date, we had five projects in progress for the delivering of 24 single deck coaches.

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*(b) High deck coach*

High deck coaches are generally higher than single deck coaches, with height averaging 3.8 metres. The seats are located on the upper deck while the lower deck is an open space which can be utilised for luggage storage, or for pantry purposes. High deck coach has a typical seating capacity of 27 seats.



During the Track Record Period, we have delivered a total of 39 units of CBU for high deck coaches.

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*(c) Double deck coach*

Double deck coaches have seats layout on both levels with height averaging 4.2 metres. As the vehicles are higher, they are fitted with three axles. The design of a double deck coach is aimed to provide a more luxurious environment for the passengers with bigger seats and better facilities. Double deck coach has a typical seating capacity averaging 39 seats.



### **OUR CUSTOMERS**

Our buses serve public and private bus transportation markets. Our customers consist of public and private bus transportation operators, as well as chassis principals and their purchasing agents, bus assemblers and manufacturers who will then on sell our products to end-users. Our chassis principals include Scania, MAN, Mercedes-Benz and Volvo. In some occasions, we are directly designated by bus transportation operators/their purchasing agents to be the bus body supplier. We believe that our customers always choose us as the manufacturer of bus bodies due to the quality of our products, our design capability, our know-how, experience and track record through the long standing business relationships with them.

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The summary of breakdown of revenue, gross profit, percentage of contribution to gross profit and gross profit margin for the Track Record Period by category of customers is as follows:

	For the year ended 31 October 2013			For the year ended 31 October 2014			For the year ended 31 October 2015			For the six months ended 30 April 2016						
	Percentage contribution to gross profit		Gross profit margin	Percentage contribution to gross profit		Gross profit margin	Percentage contribution to gross profit		Gross profit margin	Percentage contribution to gross profit		Gross profit margin				
	Revenue	Gross profit	Revenue	Gross profit	Revenue	Gross profit	Revenue	Gross profit	Revenue	Gross profit	Revenue	Gross profit				
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000				
Public and private bus transportation operators	920	144	2.2%	15.7%	1,261	232	3.3%	18.4%	901	149	1.6%	16.5%	138	23	0.5%	16.6%
Chassis principals and their purchasing agents	20,161	4,569	69.6%	22.7%	19,640	4,506	64.3%	22.9%	36,051	8,271	89.9%	22.9%	15,686	3,769	91.3%	24.0%
Bus assemblers and manufacturers	8,662	1,570	23.9%	18.1%	9,465	1,796	23.6%	19.0%	2,420	446	4.8%	18.4%	—	—	not applicable	not applicable
Parts and service	2,628	283	4.3%	10.8%	3,963	478	6.8%	12.1%	1,699	336	3.7%	19.8%	930	338	8.2%	36.3%
	32,371	6,566	100.0%	20.3%	34,329	7,012	100.0%	20.4%	41,070	9,202	100.0%	22.4%	16,754	4,130	100.0%	24.7%

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*Notes:*

1. Sales to public and private bus transportation operators and bus assemblers and manufacturers are mainly steel coaches in the form of CBU and aluminium body structures kits (i.e. CKD and SKD), which comparatively having a lower profit margin than aluminium CBU.
2. Sales to chassis principals and their purchasing agents accounted for majority of the revenue for the Track Record Period and are mainly aluminium single deck, double deck and articulated buses in the form of CBU, which have a higher gross profit margin than the steel coaches and CKD/SKD kits. As a result, sales to this type of customers has a higher profit margin.

## **Geographical locations of our customers**

Our customers are located mostly in Asia and are Independent Third Parties. The following map shows the markets where we have delivered our products to:





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The following table illustrates the types of buses and bus bodies we shipped to different markets during the Track Record Period:

	City Buses			Coaches		
	Single Deck	Double Deck	Articulated	Single Deck	High Deck	Double Deck
Core markets						
— Singapore . . . . .	✓	✓	✓	✓	—	—
— Malaysia . . . . .	✓	—	—	✓	✓	—
Developing markets						
— Australia . . . . .	✓	✓	✓	✓	—	—
— Hong Kong . . . . .	✓	✓	—	✓	—	—
— China . . . . .	✓	—	—	—	—	—
— India . . . . .	—	—	—	✓	—	—
— Others . . . . .	✓	✓	✓	✓	—	—

A summary of the number of products we have delivered to different markets during the Track Record Period is as follows:

	For the year ended 31 October						For the six months ended 30 April 2016	
	2013		2014		2015		CBU	SKD/CKD
	CBU	SKD/CKD	CBU	SKD/CKD	CBU	SKD/CKD		
Malaysia . . . . .	15	149	17	191	29	50	4	—
Singapore . . . . .	176	—	111	—	238	—	79	—
Australia . . . . .	7	—	7	—	22	—	5	—
Hong Kong . . . . .	22	—	4	—	31	—	39	—
China . . . . .	—	2	—	68	—	104	—	7
India . . . . .	4	—	50	—	29	—	—	—
Others . . . . .	1	20	2	17	1	15	9	22
	<b>225</b>	<b>171</b>	<b>191</b>	<b>276</b>	<b>350</b>	<b>169</b>	<b>136</b>	<b>29</b>

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The following table sets out summary of the average selling price of our products sold to different markets during the Track Record Period is as follows:

	<i>Notes</i>	For the year ended 31 October						For the six months ended 30 April 2016	
		2013		2014		2015		CBU	SKD/CKD
		CBU	SKD/CKD	CBU	SKD/CKD	CBU	SKD/CKD		
		<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Malaysia . . . .	1	65	50	65	49	66	42	60	—
Singapore . . . .	2	103	—	104	—	103	—	124	—
Australia . . . .	3	53	—	213	—	152	—	164	—
Hong Kong . . . .	4	68	—	79	—	92	—	65	—
China . . . . .	5	—	25	—	26	—	19	—	28
India . . . . .	6	66	—	66	—	53	—	—	—

*Notes:*

1. Sales to Malaysia are mainly aluminium body structure kits (i.e. SKDs).
2. During the Track Record Period, we sold aluminium single deck bus, double deck bus and articulated bus in the form of CBU to Singapore market. As a result, the average selling price for products sold to Singapore is relatively high.
3. This lower average selling price for Australia in 2013 was due to sale of only steel school buses and coaches. The orders we received from Australian customers in 2013 were also smaller in size, before we entered into contracts for significant projects with more recognizable customers such as Scania and Mercedes.
4. Sales to Hong Kong consist of a mixture of steel coach, aluminium single deck bus and double deck bus.
5. There is a lower average selling price for products sold to China for products sold are mainly aluminium body structure kits (i.e. CKDs).
6. Sales to India mainly consist of steel coaches.

### Our major customers

For the years ended 31 October 2013, 2014 and 2015 and the six months ended 30 April 2016, our five largest customers accounted for approximately 88.4%, 90.8%, 86.9% and 92.2% of our revenue, respectively, and our largest customer accounted for approximately 54.4%, 33.1%, 59.1%, and 60.3% of our revenue, respectively. Our Directors confirmed that during the Track Record Period we are the sole supplier of bus bodies of our largest customer for its city buses in Singapore. The Directors believe that the sole supplier relationship can ensure the stable and good quality supply of city buses in Singapore, which is mutually beneficial to both parties. During the Track Record Period, there was no dispute with our customers which would have a material adverse impact on our business operations.

Below are general descriptions of our top five customers during the Track Record Period.

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For the six months ended 30 April 2016:

No.	Names of customer	Revenue (US\$'000)	% of total revenue	Types of products provided	Business relationship since	Principal business
1	Customer A	10,109	60.3	CBU	2011	A company specialises in land systems and specialty vehicles, a subsidiary of a listed company in Singapore, and is a purchasing agent for a chassis principal
2	Customer B	2,674	16.0	CBU	2012	A distributor of commercial vehicles in Hong Kong and Macau, a subsidiary of a company listed on the Stock Exchange, and is a purchasing agent for a chassis principal
3	Customer C	1,073	6.4	CBU	2012	A major Swedish commercial vehicle manufacturer and a chassis principal
4	Customer D	961	5.7	CBU, SKD	2015	A distributor of commercial vehicles in New Zealand, and is a purchasing agent for a chassis principal
5	Customer E	632	3.8	CBU, CKD	2015	An Uzbekistan-Germany joint venture company specialises in producing and exporting commercial vehicles to Central Asia and a chassis principal

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For the year ended 31 October 2015:

No.	Names of customer	Revenue (US\$'000)	% of total revenue	Types of products provided	Business relationship since	Principal business
1	Customer A	24,273	59.1	CBU	2011	A company specialises in land systems and specialty vehicles, a subsidiary of a listed company in Singapore, and is a purchasing agent for a chassis principal
2	Customer C	5,124	12.5	CBU, SKD	2012	A major Swedish commercial vehicle manufacturer and a chassis principal
3	Customer B	3,225	7.9	CBU	2012	A distributor of commercial vehicles in Hong Kong and Macau, a subsidiary of a company listed on the Stock Exchange, and is a purchasing agent for a chassis principal
4	Customer F	1,738	4.2	CKD	2014	A company acting for a state owned enterprise listed in the Stock Exchange and a stock exchange in Shanghai that supplies rail transit equipment, which also engages in bus assembly business in the PRC
5	Customer G	1,312	3.2	SKD	2010	A company specialises in bus bodybuilding and assembly in Malaysia

For the year ended 31 October 2014:

No.	Names of customer	Revenue (US\$'000)	% of total revenue	Types of products provided	Business relationship since	Principal business
1	Customer A	11,373	33.1	CBU	2011	A company specialises in land systems and specialty vehicles, a subsidiary of a listed company in Singapore, and is a purchasing agent for a chassis principal
2	Customer G	9,491	27.6	SKD	2010	A company specialises in bus bodybuilding and assembly in Malaysia
3	Customer C	7,939	23.1	CBU, SKD	2012	A major Swedish commercial vehicle manufacturer and a chassis principal
4	Customer F	1,240	3.6	CKD	2014	A company acting for a state owned enterprise listed in the Stock Exchange and a stock exchange in Shanghai that supplies rail transit equipment, which also engages in bus assembly business in the PRC
5	Customer H	1,115	3.2	CKD	2012	A company specialises in manufacturing, assembly and exporting buses and coaches in the PRC

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For the year ended 31 October 2013:

No.	Names of customer	Revenue (US\$'000)	% of total revenue	Types of products provided	Business relationship since	Principal business
1	Customer A	17,618	54.4	CBU	2011	A company specialises in land systems and specialty vehicles, a subsidiary of a listed company in Singapore, and is a purchasing agent for a chassis principal
2	Customer G	8,063	24.9	SKD	2010	A company specialises in bus bodybuilding and assembly in Malaysia
3	Customer C	1,586	4.9	CBU, SKD	2012	A major Swedish commercial vehicle manufacturer and a chassis principal
4	Customer I	766	2.4	CBU, SKD	2013	A distributor of commercial vehicles and parts in Kenya and East Africa, and is a purchasing agent for a chassis principal
5	Customer B	573	1.8	CBU	2012	A distributor of commercial vehicles in Hong Kong and Macau, a subsidiary of a company listed on the Stock Exchange, and is a purchasing agent for a chassis principal

Customer A, our largest customer by revenue for the Track Record Period is a purchasing agent for a chassis principal, who has been engaged in major transportation projects in Singapore. Customer A is a member of an integrated engineering group headquartered and listed in Singapore, which provides solutions and services in the aerospace, electronics, land systems and marine sectors to its worldwide customers. Customer A is an operating subsidiary in the land systems sector of its listed parent which delivers integrated land systems, specialty vehicles and relevant through-life support for defence, homeland security and commercial applications. For the year ended 31 December 2015, the consolidated revenue and consolidated profit attributable to shareholders of the listed parent of customer A were approximately S\$6,335.02 million and S\$529.04 million, respectively and the consolidated revenue and consolidated profit attributable to shareholders contributed by the land systems segment were approximately S\$1,401.02 million and S\$55.74 million, respectively. As at 31 December 2015, the total assets of the listed parent of customer A and its land systems segment were approximately S\$8,169.10 million and S\$1,976.86 million, respectively.

Our business relationship with customer A started in 2011. We have been supporting customer A in tenders for major projects of bus transportation operators in Singapore and customer A would normally enter into formal contract with us if the tender we have supported was successful. Customer A continued to place significant amounts of orders with us during the Track Record Period primarily because their customers, the bus transportation operators in Singapore had awarded them the tenders in which we supported.

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During the Track Record Period, we have been engaged by customer A for several projects for the assembling of a total of 514 single deck buses, 46 double deck buses and 39 articulated buses for delivery in Singapore. As at the Latest Practicable Date, we are engaged by customer A for one on-going project.

Our other top five customers by revenue for the Track Record Period are chassis principals, their purchasing agents and bus assemblers based in Malaysia, China, Hong Kong and other Asia Pacific countries. They placed orders with us for satisfying their needs for projects from their respective local bus transportation operators.

Save as otherwise disclosed in this prospectus, none of our Directors or their associates or, to the knowledge of our Directors, any Shareholder with over 5% of the share capital of our Company has any interest in any of our five largest customers in the Track Record Period.

Our Directors confirmed that one of our major customers was also our supplier during the Track Record Period. For further details, please refer to the paragraph headed “Top five suppliers” in this section. We have not entered into any long term agreement with our customers, as we usually enter into contracts with our customers on a project basis which covers the contract period for the relevant project.

### *Customer concentration*

For the years ended 31 October 2013, 2014 and 2015 and the six months ended 30 April 2016, our five largest customers accounted for approximately 88.4%, 90.8%, 86.9% and 92.2% of our revenue, respectively. In particular, our largest customer accounted for approximately 54.4%, 33.1%, 59.1%, and 60.3% of our revenue, respectively. Despite such customer concentration, our Directors consider that we are not reliant on any single customer and capable of maintaining our revenue in the future because:

- (i) Long-standing relationship with chassis principals: We have a long standing relationship with a number of internationally renowned chassis principals, including MAN and Scania and have been supporting them in bidding for projects in different markets in the Asia-Pacific regions. These chassis principals would normally grant us their orders, directly or through their purchasing agents, once they have been awarded contracts from local bus transportation operators. In some occasions, we have been supporting different chassis principals to bid for the same project, thereby increasing our chance of obtaining order for such projects. We consider that we have a balance customer base which enables us to benefit from the overall growth potential of the bus market in Asia Pacific region and reduce our reliance on any one single customer. In addition, our long standing relationships with our customers, who are major industry players with strict criteria in selecting their bus body manufacturing partners, also make us more resilient to competition;

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- (ii) Directly working with bus operators: We have been directly working with bus transportation operators for bus design development and we have sold our products to them directly;
- (iii) Meeting stringent regulatory and safety requirements: Our products have passed various local regulatory and safety requirements and are now used by a number of bus transportation operators in different markets. Some of these local requirements, such as ADR in Australia, are stringent. We believe this further enhances our competitiveness in local market and our chance of obtaining orders from customers;
- (iv) Actively expanding customer base: During the Track Record Period, we have been successful in expanding our customer base in the Asian Pacific region and secured orders from new customers in New Zealand, Uzbekistan and other developing markets. As we continue to expand in developing markets such as China, Hong Kong and other Asian countries, we expect to diversify our customer base and reduce our reliance on our major customers;
- (v) Large contract sum: It is not uncommon for a single project to have a relatively large contract sum such that given our current capacity, a small number of projects from a few major customers could easily contribute a substantial amount to our total revenue. This results in revenue being concentrated on a few major customers. As we are in the process of further expanding our manufacturing facility in Johor, we expect that upon completion of our new facility, we can take on more projects from different customers and the concentration of our customers could be diluted;
- (vi) Singapore market dominated by a few transportation operators: Our Directors believe that customer A, our largest customer by revenue for the Track Record Period, is one of the key players in the bus transportation industry in Singapore where the market is dominated by only a few private and public transportation operators. According to the Ipsos Report, as Singapore's local bus and bus body manufacturing industry is small in scale, it is an industry norm that a single customer could potentially contribute a substantial portion of revenue to a particular bus and bus body manufacturer.
- (vii) Alternative customers: In relation to customer A, our largest customer by revenue for the Track Record Period, we believe that our relationship is mutual for the reason that (a) we have contributed to the successful tenders made by customer A to secure major projects from bus transportation operators in Singapore; and (b) we are one of the few bus body builders located in the proximity of Singapore that possess the know-how to manufacture bus bodies on the chassis of their chassis principal. As customer A is not the exclusive supplier to bus transportation operators in Singapore, in the unlikely event that our relationship with customer A is terminated for whatever reason, we can still work with other chassis principals or their purchasing agents to bid for major projects in Singapore; and

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(viii) Decreasing percentage contribution by customer A in the coming year: It is expected that the revenue contributed by customer A will decrease to below 40% of the Group's total revenue for the year ending 31 October 2016 as a result of more products sold to other markets during such period. In the future, the expected expansion of our production capacity upon completion of the construction of the new facility also means that we can take on more projects from other customers. In addition, there is a change in tender process in Singapore this year which may further diversify our client base.

For risk in relation to our relationship with our top five customers, please refer to the section headed "Risk factors — Our top five customers accounted for a substantial portion of our revenue and we have no long-term supply contract/purchase commitments from them" of this prospectus.

### **SALES AND MARKETING**

#### **Market segment**

Since commencement of our business, we have been using "Gemilang" as our brand. We broadly divide our target markets into two segments namely, core markets and developing markets. Core markets comprise of Singapore and Malaysia, while developing markets comprise of all other markets where we export our products.

We have significant market share in our core markets where our products are already being used by major bus transportation operators. As such, our strategy is to further strengthen our existing market position and use these markets as our fortress to further expand ourselves in our target markets which currently comprise Asia, Australia and New Zealand.

For the developing markets, we market ourselves by leveraging on our reputation in the core markets. We also leverage on the market presence of our chassis principals and their agents and work with them in a complementary manner to enlarge both our respective market share.

#### **Sales model and channel**

We position ourselves as a professional, reliable and flexible bus assembler and bus body manufacturer with a primary focus on aluminium bus and bus body. Currently, the bus market can be broadly divided into steel and aluminium buses with a small proportion taken up by buses built using composite materials. At the moment, the bus market is still dominated by steel but there is a general shift towards the use of aluminium in building buses in more developed markets, due to its lighter weight and better fuel efficiency.

In marketing our brand and products, we adopt a two-prong strategy. Firstly, we market our buses and bus bodies directly to end customers, namely the public and private bus transportation operators, from which we usually receive a direct purchase order and we are not required to bid for a contract with these customers. We have sold our products to markets including Hong Kong, China, India, Kenya, New Zealand, Taiwan, Thailand, the Philippines, Uzbekistan and Vietnam.



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Secondly, we market our products indirectly with chassis principals and their purchasing agents, bus assemblers or manufacturers who sell their products to public and private bus transportation operators. Normally, the chassis principals would act as the main contractors and bid for bus supply contracts from bus transportation operators and/or local transportation authorities. Prior to making such bidding, they will obtain quotation from us with specifications on product quality, quantity and after-sales services.

As at the Latest Practicable Date, we have a team of four sales and marketing employees and one project manager led by Mr. CY Pang. Our marketing team pays regular sales visit to customers to work closely with them to evaluate and attain a better understanding of their requirements, which serves as a feedback mechanism in respect of our service, product and technical improvement and reliability.

Our sales and marketing activities in Australia and New Zealand have been supported by Gemilang Australia. Historically, our Group did not enter into any formal contract with Gemilang Australia in relation to the sales and marketing services they provided. According to arrangements between our Group and Gemilang Australia, Gemilang Australia will receive commission based on the number of bus bodies that are sold to the Australian and New Zealand markets. The commission remunerates Gemilang Australia for, among other matters, general and specific marketing activities, customer relationship development and maintenance and after-sales services. For the three years ended 31 October 2015 and the six months ended 30 April 2016, total commission paid to Gemilang Australia amounted to approximately US\$nil, US\$0.35 million, US\$1.24 million and US\$0.63 million respectively, representing nil%, 17.9%, 37.2% and 34.3% of our total revenue from Australia and New Zealand respectively. Our Directors believe that the commission Gemilang Australia received were negotiated on arm's length basis and are on normal commercial terms.

Gemilang Coachwork has entered into a contract for services (the “**GA Service Contract**”) with Gemilang Australia on 20 October 2016 to govern the arrangement between them. Salient terms of the GA Service Contract are set out as below:

Contract Term	Three years
Scope of Services	Services to be provided by Gemilang Australia comprise: (1) actively promoting the products of Gemilang Coachwork in Australia and New Zealand and ensuring compliance with local legal and regulatory requirements; (2) carrying out after-sales and support services for bus bodies sold pursuant to the GA Service Contract; (3) supporting warranty obligations of Gemilang Coachwork in Australia and New Zealand; and (4) facilitating the delivery and handling of the products of Gemilang Coachwork in Australia and New Zealand.

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**Remuneration to Gemilang Australia**      Remuneration payable to Gemilang Australia will take into account: (1) expected costs on Gemilang Australia for providing after-sales and support services for Gemilang Coachwork and ensuring compliance with local requirements in Australia and New Zealand; (2) delivery and handling costs; and (3) sales commission.

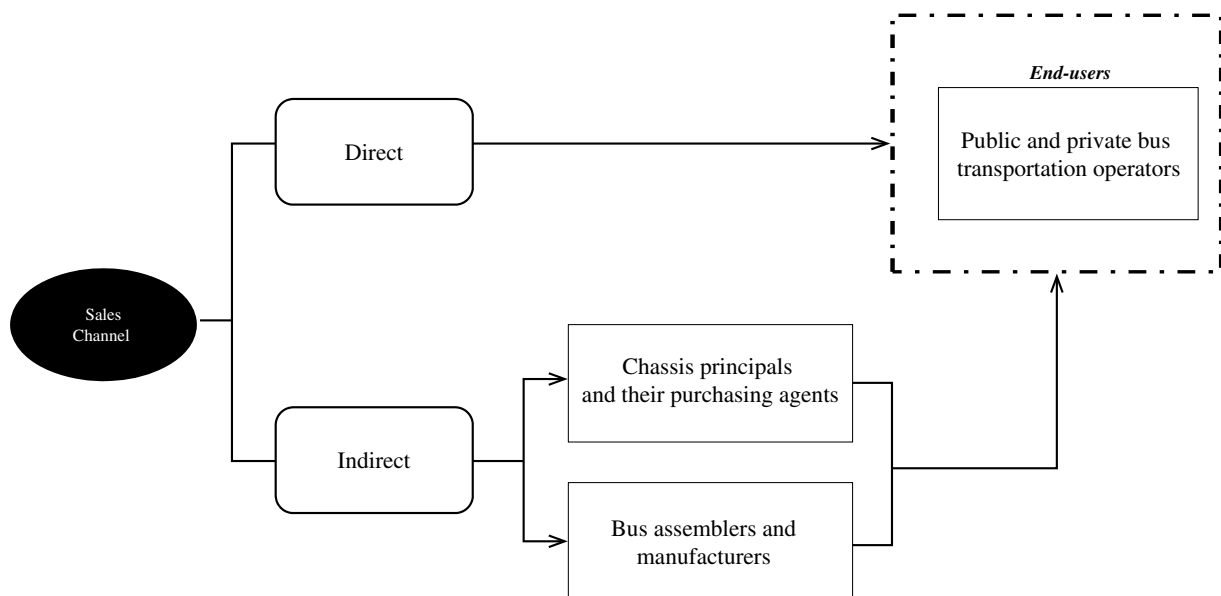
**Cancellation and termination**      Either party may serve the other party a written notice for cancellation of the GA Service Contract with a period of not less than three months.

Where any event of default as provided by the GA Service Contract occurs, the non-defaulting party may terminate the GA Service Contract immediately by serving the defaulting party a notice of cancellation.

Immediately after the GA Acquisition, Gemilang Australia became our associate company and Mr. CY Pang, our executive Director, no longer have any interest in Gemilang Australia. As a result, any future service arrangements between our Group and Gemilang Australia will not constitute connected transactions of the Group after the Listing.

For details of Gemilang Australia and the GA Acquisition, please refer to the section headed “Financial information — Acquisition of 50% interests in Gemilang Australia” of this prospectus.

Our sales channel is structured in line with our sales and marketing strategy and it is depicted in the diagram below:



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A summary of revenue and number of bus and bus body delivered during the Track Record Period is as follows:

	For the year ended 31 October			For the six months ended
	2013	2014	2015	30 April 2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Revenue</b>				
— Direct channel . . . . .	3,548	5,224	2,600	1,068
— Indirect channel . . . . .	28,823	29,105	38,470	15,686
<b>TOTAL</b> . . . . .	32,371	34,329	41,070	16,754
<b>Number of bus and bus body delivered</b>				
— Direct channel . . . . .	14	18	16	2
— Indirect channel . . . . .	382	449	503	163
<b>TOTAL</b> . . . . .	396	467	519	165

A summary of the general terms of our transactions with our customers is set forth below:

<b>Products</b>	Aluminium or steel buses (CBU) or bus bodies (CKD and SKD) with details specified in the quotation and the relevant purchase order.
<b>Unit price</b>	The unit price will be specified in the quotation, subject to any request by the customer on the product and any customisation.
<b>Currency</b>	The currency of the contract sum, which will be specified in the quotation, subject to the negotiation between the parties. Normally, purchase orders from our customers are denominated in Malaysian Ringgit, US Dollars and Singapore Dollars.
<b>Payment term</b>	We normally request down payment ranging from 10% to 30% of the contract sum from the customer, with the balance to be paid on or before delivery (subject to progress or payment in stages in some cases).

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**Time of delivery**                      The lead time for us to complete the manufacturing/assembling of the contracted products or delivery schedule as specified in the individual contract. Normally, the lead time for CKD will be approximately two months, the lead time for SKD will be approximately two months, and the lead time for CBU will be at least five months for new orders with prototyping of new bus model.

**Tax**                                              The price quoted to customers generally excludes goods and services tax, sales tax and import tax.

**Warranty**                                      Subject to the warranty given by our supplier, we normally offer a warranty period against defect or corrosion of the aluminium/steel body structure or any related issues.

According to the normal warranty clause, if any of or any part of our products are found to be defective or malfunctioning during the warranty period, we shall immediately repair or replace the relevant item at the option of the customer but at our own expense.

In addition, one of our customers would require us to issue a performance bond for the performance of their orders, the amount of which would be approximately five to 10% of the total contract sum.

### **Order planning**

Before we enter into a transaction, we will provide a quotation with specifications of products to be supplied and major terms of transaction, for customers' onward acceptance through sending a purchase order to us.

Normally, upon receiving an order enquiry from our potential customer, we would first consider and assess internally whether our production timeline and capacity can cater for the new order. If we can accommodate the order we will then proceed to negotiate other terms of the order with the potential customer.

It normally takes approximately three months to proceed from receiving an order enquiry to receiving a purchaser order from our customer. Generally, for a project of new bus model, the lead time for scheduled first batch of delivery would be at least five months, while for repeat order, the lead time for scheduled first batch of delivery can be shortened to approximately one to five months.

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In terms of order visibility, it would depend on the expected delivery time. Our order delivery normally range from six to 24 months.

### **Pricing strategy**

The prices of our products are primarily determined on a cost plus basis. Before we determine the price of our products of a particular project, we will understand from our customers their product specifications. We will then obtain quotations from our suppliers for relevant materials to manufacture the products. We will determine the price of our products based on the cost of the materials and with reference to the market price of similar products. Our quotation will be made in the currency as agreed with the relevant customer and normally will be in Malaysian Ringgit, Singapore Dollars or US Dollars. We do not have any currency hedge on the pricing of our products, but we would adopt a conservative exchange rate at the time of pricing of our costs. Similarly, for raw materials, we do not have a hedging policy as we fix the price of the materials with the supplier when we conclude the order. We review our pricing model at the very beginning of the development of a new product as well as after the development and production is completed. In addition, we review and adjust the prices of our products in a timely manner and in accordance with prevailing market conditions.

### **Delivery and payment**

We normally schedule first batch of delivery for a particular project within five to nine months for new products and within one to five months for repeat order after receipt of relevant purchase order which is in line with industry norm. Our customers normally place purchase order instead of entering into a sales contract with us. In relation to the sales of buses, we usually request a 10% to 30% of the purchase price as down payment from our customer, and the balance shall be paid in stages according to the progress of the production. For delivery to overseas customers, we would accept shipping terms such as FOB as agreed with the relevant customer.

### **Warranty and after-sale services**

We are committed to providing excellent after-sales service to our customers. The normal design life of bus body superstructure is at least 15 years, as such we would normally give a warranty up to 15 years for the superstructure. As for other components, we normally give our customers different warranties for different parts, ranging from two to five years. Normally, the warranty claims for the bus body components and parts are covered by our suppliers' back-to-back warranties with the warranty period equal to those we provide to our customers. Under the warranties provided by our suppliers, we are entitled to have suppliers replace the faulty components and parts once we receive quality issue claims from our customers. Therefore, we do not incur any expenses with respect to repair or replacement of the faulty bus components and parts provided by our suppliers. In some

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occasions, we warranted certain component of our products for a longer period than the warranty period given by our suppliers. Our Directors confirmed that, historically we have not experienced any material claims from our customers in this regard. As a result, we did not make any provision for such expenses.

We handle all after-sales service ourselves, except in Australia and New Zealand, where our associate company, Gemilang Australia, is responsible for all local after-sales service, and in Hong Kong, where our appointed local agent, Regal Motors, helps arrange after-sales service with spare parts provided by us. We believe our commitment to after-sales service has contributed to our brand recognition, business growth, and improved performance and hence, an enlarged customer base.

We also provide out-of-warranty repair services on a fee-basis, which includes replacement of parts due to wear and tear or repair of damage resulting from accidents. Our customers would not accept delivery of our products unless they sign off on the quality and safety of our products. During the Track Record Period, we have not experienced any request for return of our products from our customers. In the event of any defect on our products, we would rectify the issue on our customer's site.

### COMPETITION

According to Ipsos, global demand for bus and buses body is projected to advance 5.3% annually till 2020, with Asia/Oceania region remaining to be the dominant market. This is mainly driven by (1) increasing population size and urbanisation as urban areas are typically densely populated and demand for efficient and frequent transportation is higher; and (2) with relatively lower infrastructure investment costs, buses being a cost effective mean and widely use option for public transportation. Against this backdrop, our Directors consider that players in the Asia/Oceania region will generally benefit from the growing market. On the other hand, our Directors are of the view that the bus and bus body market is fragmented and there is no dominant player in Asia. Players are continuously competing against each other to increase market share through:

- improving skills and technology;
- enhancing services provided to meet demands; and
- developing new products, materials or production techniques.

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Our Directors further expect that with increasing integration among Asian countries, competition will become more regional and players possessing the following characteristics will likely win in the competition coming ahead;

- players with a leading position in one or more than one market, which enables them to leverage on their local advantages to compete abroad;
- players which possess necessary technologies in producing products with materials lighter than steel, such as aluminium which enables them to cater for the increasing demand of more energy efficient products;
- players with capabilities to work with key chassis principals which enables them to more easily widen and deepen market penetration by joining force with chassis principals;
- players with necessary scale and having accumulated relevant knowhow to provide cost efficient solutions to customers which enables them to better meet customers needs; and
- players with experience and qualification to export products to different bus transportation operators in different markets which enables them to equip with necessary flexibility and qualifications to tap into local market.

For further details about our industry, please refer to the section headed “Industry overview” of this prospectus and for our competitive strengths, please refer to the paragraph headed “Competitive strengths” in this section.

### PRODUCTION PROCESS

#### *Our facility in Senai*

Our Senai facility is located in Johor, with four ports in its proximity and located right next to Singapore. As at the Latest Practicable Date, our facility had a total of 134 factory workers and 18 contract workers, with three assembly lines. Our major equipment, include cutting machine, bending machine, overhead crane, are owned by us and will be maintained by us from time to time.

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The following table set forth the details of our machineries as at the Latest Practicable Date:

	Quantity	Weighted average Age <i>(years)</i>	Expected weighted average remaining useful life <i>(years)</i>
Air compressor . . . . .	27	8.4	16.6
Carrier or lifter (overhead crane & forklift) . . . . .	20	7.8	17.2
Bending & cutting machines . . . . .	23	10.0	15.0
Welding machines . . . . .	24	13.7	11.3
Other machineries . . . . .	36	5.6	19.4

The table below set forth the number of buses or bus bodies produced in our facility during the Track Record Period:

	For the year ended 31 October			For the six months ended
	2013	2014	2015	30 April 2016
CBU . . . . .	225	191	350	136
SKD/CKD . . . . .	171	276	169	29

Normally, the time required for the assembling of a standard single deck bus and double deck bus is approximately 1,250 and 1,850 hours, respectively and approximately 600 hours for the manufacturing of SKD and CKD.

Our facility commenced production in 1994 and we produce all types of product in this facility. We have legal ownership to the relevant land of and equipment used in our Senai facility.

### ***Our Production Capacity and Utilisation Rate***

The total production capacity for our bus assembling and bus body manufacturing is fundamentally based on the total man hours available, which is calculated based on the number of factory workers multiplied by a shift of 10.5 hours per day and six work days per week. We use one shift per day because we need the same team of labour to handle the same products to ensure quality consistence. As at 30 April 2016, approximately 80% of our production capacity has been utilised.



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Calculation of our production capacity is based on the assumption that there is no limitation on available space in our facility and total number of man hours available is only one of the major constraining factors in determining the production capacity. Our current Senai facility is reaching a bottleneck whereby we no longer have sufficient production slots to house more chassis for the factory workers to work on and for the storage of production materials. As such, any further increase in the number of factory workers would not increase our production capacity much. In order to undertake more orders, we are in the process of further expanding our manufacturing facility. For further details of our production expansion plan, please refer to the paragraph headed “Production expansion plan” in this section below.

For illustration purpose only, the table below sets out summary details with respect of our facility during the Track Record Period:

Name	For the year ended 31 October						For the six months ended	
	2013		2014		2015		30 April 2016	
	Production capacity <sup>(1)</sup>	Utilisation rate <sup>(2)</sup>	Production capacity <sup>(3)</sup>	Utilisation rate <sup>(2)</sup>	Production capacity <sup>(4)</sup>	Utilisation rate <sup>(2)</sup>	Production capacity <sup>(5)</sup>	Utilisation rate <sup>(2)</sup>
	<i>(units)</i>		<i>(units)</i>		<i>(units)</i>		<i>(units)</i>	
Senai facility . . . . .	320	96%	333	98%	369	128% <sup>(6)</sup>	205	80%

*Notes:*

- (1) Based on 126 factory workers as at 31 October 2013, resulting in 400,869 total man hours, divided by 1,250 for the time required to assemble a standard single deck bus.
- (2) Based on the total number of units delivered multiplied by the number of the relevant manufacturing hours required for the type of product and then dividend by the total man hours available and multiply by 100.
- (3) Based on 131 factory workers as at 31 October 2014, resulting in 416,776.5 total man hours, divided by 1,250 for the time required to assemble a standard single deck bus.
- (4) Based on 145 factory workers as at 31 October 2015, resulting in 461,317.5 total man hours, divided by 1,250 for the time required to assemble a standard single deck bus.
- (5) Based on 163 factory workers as at 30 April 2016, resulting in 256,725 total man hours, divided by 1,250 for the time required to assemble a standard single deck bus.
- (6) The utilisation rate of our facility for the year ended 31 October 2015 amounted to approximately 128% primarily due to overtime work by our workers for the number of products ordered in excess of our production capacity.

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As illustrated above, our utilisation rate at our Senai facility which is limited by available space to house chassis, has been consistently high during the Track Record Period and has reached a bottleneck. As a result, our ability and capacity to take on more orders and further expanding our business may be constrained. Furthermore, we expect the industry would continue to grow and also are planning to expand our presence in China, Hong Kong and other Asian countries, where we expect our business to continue to develop and grow. As such, our Directors, as concurred by the Sole Sponsor, are of the view that there is a genuine need to construct a new facility to cater for our growth in the future.

### *Production expansion plan*

As production at our existing facility is reaching full capacity, we are in the process of further expanding our manufacturing facility in Johor by constructing a new facility next to our existing facility in Senai. This expansion will increase our aggregate bus and bus body production capacity by approximately 20 buses per month. This new facility will primarily be used as storage and material preparation, which will free up the space and capacity in existing Senai facility to focus on bus production (i.e CBU). We plan to purchase more machinery and equipment such as cutting machines and overhead cranes for the new facility. We expect the new facility to be in full operation by 2017. We estimate that the total cost comprising land cost, construction cost and initial set up cost of the new facility, as well as the cost for purchase of machineries and equipment will be approximately MYR21.8 million (equivalent to approximately HK\$41.42 million). The payback period (when the cumulative net cash inflow is sufficient to cover the Initial Investment Cost) is approximately 47 months. As at the Latest Practicable Date, we have used approximately MYR11.3 million (equivalent to approximately HK\$21.5 million) for the purchase of land and the construction of the new facility which was funded by internal resources and bank facilities. We plan to finance the remaining balance from the proceeds of the Global Offering to repay the bank loan for the construction of the new facility and, for details please refer to the section headed “Future plans and use of proceeds” of this prospectus.

### *Our certifications*

Our buses are currently being used in countries including Singapore, Malaysia, Australia, Hong Kong, China and India. In line with our commitment to quality, our products meet the technical and safety specifications in accordance with various local and international standards and regulations, including:

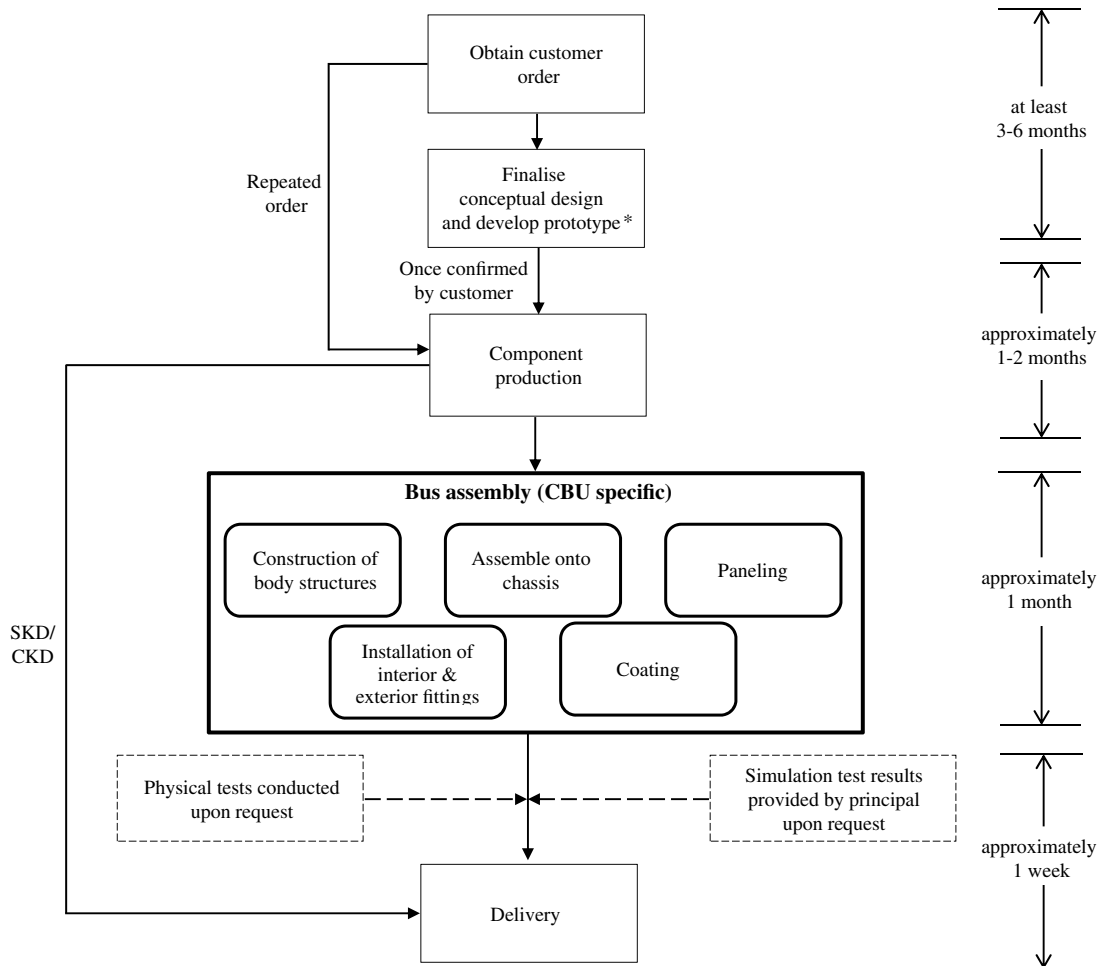
- Singapore’s Road Traffic Act;
- ADRs;

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- Australian Motor Vehicle Standards Act 1989;
- Malaysian Motor Vehicle (Construction and Use) Rules 1959;
- United Nations Economic Commission for Europe (UNECE) Vehicle Regulations/  
Economic Commission for Europe (ECE) Regulations; and
- Hong Kong vehicle safety standard under Road Traffic Ordinance (Cap 374) and Road  
Traffic (Construction and Maintenance of Vehicles) Regulations.

## *Production flowchart*

For illustration purpose, the flow of the major stages of our production process of bus assembly and manufacturing of bus body is depicted in the chart below:



\* denotes that the procedures are only for project of new bus model

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### **Obtain customer order**

For details, please see the paragraph headed “Sales and marketing” in this section.

### **Conceptual design and prototype development**

We have in-house capabilities and expertise to design the interior and exterior of the bus body. We apply the FEA methodology using CAD software in building prototype of the bus body structure. The FEA results will enable us to evaluate the structural strength and stiffness in order to optimise body structural design. For aluminium bus and bus bodies, both engineers of the Group and Constellium collaborate in the preparation work according to the specifications from the customers. We build a prototype upon the request from our customers.

### **Component production (including SKD and CKD)**

Once the design of the bus or bus bodies has been confirmed, we will begin to source the necessary materials and parts from our suppliers. For some of the materials, such as aluminium extrusions and sheets, we will prepare and cut them into the desired length according to the specifications in the design.

For CKD, the materials and parts will be prepared according to the specifications and be ready for delivery. While for SKD, the materials and parts will also be prepared according to the specifications and assembled into semi-completed components of a bus, such as a roof or side frames before delivery.

### **Bus assembly (CBU)**

The average production time for a single deck bus and a double deck bus is approximately 1,250 and 1,850 standard working hours for one worker respectively. Our bus assembling activities can be broadly categorised into the following five major modules.

#### *(i) Construction of body structures*

In general, the construction of body structures mainly comprises components of SKD and a chassis frame. We usually work closely with the chassis principals to identify the critical dimensions for setup and levelling.

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### *(ii) Assembly onto chassis*

For steel bus, we utilise body-on-frame construction method to build the bus. The superstructure is being prepared beforehand and welded onto the chassis. On the other hand, the five major parts of aluminium superstructure are being bolted together, part by part, onto the chassis.

### *(iii) Panelling*

Panelling consists of exterior and interior paneling, where all the panels are moulded and secured onto the body structure to enclose the bus.

### *(iv) Installation of exterior and interior accessories*

Installation of exterior accessories includes the installation of doors, windows, windshields and other systems on the bus.

An integral part of our bus assembling process also involves the installation of interior fixtures and accessories. The interior layout and requirements are based on bus transportation operator's specifications covering various aspects including aesthetics, safety as well as optimising number of passenger seats and luggage space.

### *(v) Coatings*

Coatings are part of body surface finishing works to protect the bus from corrosion as well as for aesthetics purpose, and for media advertising. As at Latest Practicable Date, we have four spray booths, where one of them is equipped with heating facilities. Our spray booths are purpose-built structures with proper ventilation and filtration system to remove paint particulates and replace with fresh and clean air.

### **Final inspection — physical test and simulation test**

We have introduced various quality control measures at every stage of our production, so as to avoid product defects. One of the measures includes the final inspection after the buses have been coated and dried. Vehicles are inspected and where necessary, minor rectifications are undertaken. Physical tests, such as tilt test and rollover test may also be conducted upon customers' request or for any new model. For details of our inspection quality control measures, please refer to the paragraph headed "Quality and safety control" in this section.

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### **Delivery**

For details, please see the paragraphs headed “Delivery and payment” and “Inventory management and logistics” in this section.

### **QUALITY AND SAFETY CONTROL**

We place quality and safety control in every aspect of the production process with a view to maintaining consistent quality and safety across our products and services at all levels of our management and staff. We have established and implemented a stringent quality control system which conforms to national and international standards. We plan to upgrade our existing test facilities by installing water test to ensure the quality and safety of our products. Our internal quality and safety control team comprises 11 members with the majority of the team possessing at least 10 years’ experience and the team is led by our general manager, Mr. Peter Phang, who has over 10 years of industry experience.

#### **Safety Control**

For further details for our safety procedures, please refer to the paragraph headed “Employment and staff — Work safety” in this section.

#### **Quality Control**

We conduct regular internal audits and management evaluations to ensure that our quality control system is proper, effective and adequate. Our quality control team holds meetings from time to time with the production department and our customers in order to identify and rectify any product quality issues on a timely basis.

We have adopted production tracking system, under which we record the identities of the worker groups involved in each step of the production process of our products. The production tracking system captures data for internal post-production review and quality improvement processes.

#### **Customer Complaints**

We have established procedures to handle customer complaints. Our customers can report complaints in relation to our products to our after-sales department, which is headed by Mr. CY Pang. Upon receipt of any complaints, our after-sales department will investigate the reported issues and liaise with the relevant personnel or chassis principals to resolve the issues. During the Track Record Period and up to the Latest Practicable Date, we did not receive any material complaints from any customers in relation to our products.

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Please refer to the paragraph headed “Production process — Our certifications” in this section for further details of our certification and compliance with other regulations. Our Directors confirm that our Group has not suffered any material losses from product liability claims or encountered any safety issue relating to our products nor were our products the cause of any accidents during the Track Record Period.

### **PROCESS AND PRODUCT DEVELOPMENT**

Our development efforts are focused on product development and production process. While process improvement is a continuous effort, product development activities are only conducted each time we are engaged to produce a new type of bus and/or to build bus body.

We have a well-established team to enhance our capability for innovation and our market competitiveness in terms of product development. As of the Latest Practicable Date, we have two development engineers, all of which had college or advanced degrees. Mr. Phang Song Chok, who has over five years of professional experience in the bus and bus body design and manufacturing industry, leads our team and is responsible for the operation of the development centre. Our executive Director, Mr. CY Pang, oversees the general direction and strategic planning of our development efforts.

All of our development expenses for bus prototype have been included in cost of sales of our combined financial statements, such expenses will be charged to the customer accordingly.

#### **Our development of technologies and design**

We have built strong in-house development capabilities in designing buses and bus bodies that meet international technical and safety requirements as well as achieve the aesthetics requirements from our customers and bus transportation operators. In addition to our in-house design efforts, we have been actively and extensively co-operating with certain suppliers and chassis principals to establish long term strategic partnerships in respect of developing new bus and bus body products. Over the years, our team has developed customised products to meet market demand. During the Track Record Period, we have launched double deck city bus and aluminium coach as our two new products.

For the manufacturing of aluminium bus bodies, we would design the bus body structure according to the specifications or requirements from our customers by applying our technological know-how, which enable us to have accurate structural strength calculation and design bus bodies that can be assembled onto different types of chassis.

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We believe our development capabilities are crucial to our future growth and we plan to devote more efforts in the designing and production of new types of bus and bus body products with our suppliers and different chassis principals.

### **OUR SUPPLIERS**

We source and purchase materials such as aluminium extrusions, sheets and bars, steel extrusions, bus components and parts such as driver and passenger seats and bus doors from our suppliers around the world, who are Independent Third Parties.

Save for aluminium extrusions, we usually do not keep stocks of materials, bus components and parts and only procure the optimal amount according to the actual need from the orders we have secured. During the Track Record Period, we have not experienced any material price fluctuations of our materials and other supplied items. We do not hedge price of our material and to avoid any price fluctuation risk, we usually lock in the prices of materials, bus components and parts in each of the projects secured by us. For a sensitivity analysis regarding changes in the cost of our materials, please see the section headed “Financial information — Sensitivity analysis on major items in cost of sales” of this prospectus for further details.

We have taken various initiatives to reduce or control our procurement cost without compromising on the quality of our products. We believe that, as a result of our increasing production scale and procurement volume, our increasing bargaining power has helped us to reduce the prices of materials, bus components and parts through negotiation with our suppliers.

### **Procurement management system and selection of suppliers**

Our procurement department has established a procurement management system to identify, qualify and manage suppliers, and we require all procurement to be made through qualified suppliers. We have implemented stringent controls over our supplier selection process to ensure that the quality of the materials, bus components and parts meet our standards. Before we commence the procurement of new items, the procurement department would collect information regarding potential suppliers and prepare a list of candidates. The selection of suppliers is generally determined by taking into account, among other things, the product quality, product price, delivery options, after-sales services and past experiences of each supplier. In some cases, our customer will also designate a supplier for us to source specific material.



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### Terms of supply

For new materials or items that we decide to procure, we will request several suppliers for quotation. Our suppliers are not allowed to change any specification stipulated in the purchase orders without our prior approval. We normally require our suppliers to provide product warranty for a certain period, and as for defective materials, parts and components, to be replaced or returned to the relevant supplier.

A summary of the general terms of our transactions with our suppliers is set forth below:

Products	Materials such as aluminium, steel or interior or exterior accessories with details specified in the quotation and the relevant purchase order.
Unit price	The unit price will be specified in the quotation, subject to any variation requested by us from time to time.
Currency	The currency of the contract sum, which will be specified in the quotation, subject to the negotiation between the parties. Normally, our contracts are denominated in Malaysian Ringgit, US Dollars and Singapore Dollars.
Payment term	Our suppliers will generally accept letter of credit for settlement of contract sum before delivery, or grant us 30 days credit term.
Time of delivery	The delivery schedule of the relevant materials as specified in the individual contract or purchase order.
Tax	The price quoted to us generally excludes sales tax and import tax, which is normally paid by us.
Warranty	Our suppliers generally offer us two to five years' warranty period against defect of the relevant materials.

### Top five suppliers

For the years ended 31 October 2013, 2014 and 2015 and the six months ended 30 April 2016, our purchases from our five largest suppliers amounted to approximately 29.6%, 35.5%, 31.9% and 54.5% of our cost of sales, respectively, and purchases from our largest supplier accounted for approximately 14.5%, 17.6%, 16.6%, and 35.6% of our cost of sales, respectively.

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During the Track Record Period, we have not experienced any material shortage of supply or delay of materials, bus components and parts from our suppliers. We have developed long-term business relationships with many of our suppliers and negotiated supply agreements with competitive terms. On average, we have had business relationships with our top five suppliers for over nine years. We have not entered into any long term agreement with our suppliers, as we usually enter into supply contract on a project basis which covers the contract period of the relevant project.

Our Directors confirmed that one of our suppliers was our major customer during the Track Record Period. Our Directors confirm that the reason why this major customer is also one of our suppliers is because they are one of the authorised dealers for certain bus components where we can only source in the region. During the Track Record Period, the revenue derived from this major customer amount to 54.4%, 33.1%, 59.1% and 60.3% of our revenue, respectively and the purchase of bus components amount to 2.2%, 2.2%, 0.5% and 1.4% of our cost of sales, respectively. The gross profit derived from this major customer during the Track Record Period was US\$4.26 million, US\$2.71 million, US\$5.81 million and US\$2.35 million, respectively.

Below are general descriptions of our top five suppliers during the Track Record Period.

For the six months ended 30 April 2016:

No.	Names of supplier	Purchase amount (US\$'000)	% of total purchase amount	Types of products purchased	Business relationship since	Principal business
1	Supplier A	4,490	33.3%	Aluminium extrusion and accessories	2001	A subsidiary of a world leading company in manufacturing of high quality aluminium products and solutions which is listed on stock exchanges in New York and Paris
2	Supplier B	871	6.5%	Door systems and accessories	2011	A manufacturer of electric and pneumatic doors, ramps, lifts, luggage compartment mechanism for vehicles based in Spain
3	Supplier C	597	4.4%	Aluminium sheets, bars and other aluminium materials	2004	A dealer in aluminium goods in Malaysia
4	Supplier D	482	3.6%	Bus driver and passenger seats	2014	A trading company, selling passenger seats in Hong Kong
5	Supplier E	436	3.2%	Bus driver and passenger seats	2005	A joint venture company specialises in manufacturing and supplying of high quality passenger seats for buses and coaches in Malaysia

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For the year ended 31 October 2015:

No.	Names of supplier	Purchase amount (US\$'000)	% of total purchase amount	Types of products purchased	Business relationship since	Principal business
1	Supplier A	5,300	21.9	Aluminium extrusion and accessories	2001	A subsidiary of a world leading company in manufacturing of high quality aluminium products and solutions which is listed on stock exchanges in New York and Paris
2	Supplier B	1,831	7.6	Door systems and accessories	2011	A manufacturer of electric and pneumatic doors, ramps, lifts, luggage compartment mechanism for vehicles based in Spain
3	Supplier E	1,139	4.7	Bus driver and passenger seats	2005	A joint venture company specialises in manufacturing and supplying of high quality passenger seats for buses and coaches in Malaysia
4	Supplier F	1,008	4.2	Fibreglass products (dashboard, front and rear bumper)	2013	A manufacturer and supplier of fibre glass, composites, parts and related services to buses and coaches in Malaysia
5	Supplier G	895	3.7	Sealants and related consumables	2006	A global adhesive specialist for construction, consumer and industrial markets in Malaysia

For the year ended 31 October 2014:

No.	Names of supplier	Purchase amount (US\$'000)	% of total purchase amount	Types of products purchased	Business relationship since	Principal business
1	Supplier A	4,803	19.5	Aluminium extrusion and accessories	2001	A subsidiary of a world leading company in manufacturing of high quality aluminium products and solutions which is listed on stock exchanges in New York and Paris
2	Supplier C	1,405	5.8	Aluminium sheets, bars and other aluminium materials	2004	A dealer in aluminium goods in Malaysia
3	Supplier H	1,183	4.8	Steel sheets, bars and other steel materials	2005	A hardware material trading company in supplying structural steel and hardware materials
4	Supplier E	1,153	4.7	Bus driver and passenger seats	2005	A joint venture company specialises in manufacturing and supplying of high quality passenger seats for buses and coaches in Malaysia
5	Supplier B	1,153	4.7	Door systems and accessories	2011	A manufacturer of electric and pneumatic doors, ramps, lifts, luggage compartment mechanism for vehicles based in Spain

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For the year ended 31 October 2013:

No.	Names of supplier	Purchase amount (US\$'000)	% of total purchase amount	Types of products purchased	Business relationship since	Principal business
1	Supplier A	3,754	15.4	Aluminium extrusion and accessories	2001	A subsidiary of a world leading company in manufacturing of high quality aluminium products and solutions which is listed on stock exchanges in New York and Paris
2	Supplier C	1,193	5	Aluminium sheets, bars and other aluminium materials	2004	A dealer in aluminium goods in Malaysia
3	Supplier B	1,003	4.1	Door systems and accessories	2011	A manufacturer of electric and pneumatic doors, ramps, lifts, luggage compartment mechanism for vehicles based in Spain
4	Supplier H	863	3.6	Steel sheets, bars and other steel materials	2005	A hardware material trading company in supplying structural steel and hardware materials
5	Supplier I	824	3.4	Roller blind, passenger seats, wire harness, wiring and related accessories	2009	A manufacturer and distributor of passenger seats, wire harness, wiring and related accessories in the PRC

Save as otherwise disclosed in this prospectus, none of our Directors or their associates or, to the knowledge of our Directors, any Shareholder with over 5% of the share capital of our Company has any interest in any of our five largest suppliers in the Track Record Period.

Save as disclosed in this prospectus, our Directors confirmed that none of our suppliers was our major customers during the Track Record Period.

### Aluminium extrusion supplier — Constellium

Constellium is our only supplier for aluminium superstructure extrusion used in our manufacturing of bus body. For aluminium materials other than for superstructure extrusion, we source them from our local aluminium supplier. For the three years ended 31 October 2015 and the six months ended 30 April 2016, total cost of aluminium materials accounting for approximately 16.4%, 26.8%, 26.7% and 40.0% of our total cost of materials respectively.

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### *Background of Constellium*

Constellium is an indirect subsidiary of Constellium N.V., which is a global leader in aluminium products and solution and strongly committed to designing and manufacturing innovative and high value-added aluminium products and solutions for a broad range of applications dedicated primarily to aerospace, automotive and packaging markets. Constellium N.V. is the top supplier of large profiles and strong alloy extrusions in Europe and the joint first in vehicle crash management systems in the world. Constellium N.V. is headquartered in Amsterdam with corporate offices in Paris, Zurich and New York. Its shares are listed on the New York Stock Exchange and Euronext Paris. According to the Ipsos Report, Constellium N.V. is a leading producer of aluminium products in the world. The total revenue of Constellium for the year ended 31 December 2015 was approximately US\$6.0 billion, among which approximately 26% was from aerospace and transportation, approximately 20% was from automotive structures industry and approximately 54% was from others.

Constellium is one of the few suppliers of aluminium products in the world that would also offer a solution to all of its clients in bus assembly and bus body manufacturing, i.e. their EcoRange System for bus body superstructure. In so far as our Directors are aware, there are three internationally leading aluminium suppliers who also offer solution in bus body superstructure manufacturing. For most other suppliers of aluminium products, they only manufacture the aluminium products according to the specification as provided without any additional input. Aluminium is a special material for bus building of which the traditional method of steel based body building cannot be applied.

### *EcoRange System*

Similar to other solutions available in the market, EcoRange System is a way of manufacturing bus body superstructure by bolting different aluminium profiles together. EcoRange System was originally developed by Constellium from 1975 to 1978 for promoting the use of aluminium as key material for bus body superstructure manufacturing. It has the benefit of facilitating the use of bolted connection, reducing the usage of rivets and eliminating the need for welding, during the assembling and mounting of the aluminium superstructure onto different chassis. Since its development, EcoRange System has been evolving and upgrading continuously and as at the Latest Practicable Date, it has reached its fourth generation.

The adoption of the EcoRange System in manufacturing bus bodies in aluminium has allowed us, initially, to differentiate our products from the rest of our competitors as well as assisting us to minimise assembly costs and time while improving quality of our buses. We understand that, in order to promote usage of aluminium extrusions for bus manufacturing, it is Constellium's practice to provide relevant technical support to its customers through, among others, licence of EcoRange System. We expect that, so long as we continue to place order with Constellium, we could continue to obtain up-to-date technology under the EcoRange System in manufacturing our bus body superstructure. Nevertheless, as we continue to manufacture aluminium bus bodies using the

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EcoRange System in the past 15 years, we have accumulated the necessary know-how and expertise such that we believe we are in a position to design and develop aluminium bus body superstructure independently. Such experience and knowhow we accumulated through the years are our proprietary assets which we could freely deploy in our future production.

### *Constellium Licence Agreement*

Back to 2001, we started to apply the EcoRange System in our production process by virtue of being a sub-contractor of a joint venture of our two founders, which was granted a licence to use the technology in Malaysia. The rights under the licence, as stipulated under the Constellium Licence Agreement, were transferred to Gemilang Coachwork in 2010. Pursuant to the Constellium Licence Agreement, we have the right to make use of the EcoRange System for the assembly, manufacture, series production of bus bodies in Malaysia, and the sales, maintenance and after sales services of buses in Asia, Australia and New Zealand. The following table summarises salient terms of the Constellium Licence Agreement:

Scope of licence	To make use of the EcoRange System for the assembly, manufacture, series production of bus bodies in Malaysia, and the sales, maintenance and after-sales services of buses in Asia, Australia and New Zealand.
Term	Unless terminated in accordance with the Constellium Licence Agreement, the Constellium Licence Agreement and the licence granted thereunder shall have no limitation in time (i.e. perpetual).
Licence Fee	A licence fee will be payable in accordance with the number of bus bodies manufactured by applying the EcoRange System, as adjusted from time to time in accordance with the formula stipulated in the Constellium Licence Agreement <sup>(note)</sup> .

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### Termination

In the event that Constellium or Gemilang Coachwork fails to comply with any material term or condition of the Constellium Licence Agreement, both parties shall meet to discuss the defaults within 30 days following written notice to the defaulting party, and if the defaulting party fails to cure the default within 60 days after the date of such meeting, the non-defaulting party may terminate the Constellium Licence Agreement by written notice with immediate effect.

### Effect of Termination

In the event that the Constellium Licence Agreement is terminated by Gemilang Coachwork as a result of breach by Constellium, Gemilang Coachwork may at its option continue to make use of the EcoRange System.

*Note:* During the Track Record Period and under current practice, the licence fee has been embedded in the cost of aluminium extrusion products purchased from Constellium and we have not separately paid the licence fee.

### *Our usage of the EcoRange System*

Since 2001, when we developed a strategic partnership with Constellium through our two founders, we have started to adopt EcoRange System in our production process and have been actively promoting aluminium as key material for manufacturing bus body superstructure. We believe our continuous efforts in promoting aluminium bus body superstructure has resulted in the EcoRange System gaining popularity in the Asia Pacific region. We therefore consider that our adoption of EcoRange System is mutually beneficial to both ourselves and Constellium.

The Constellium Licence Agreement has no specified term for its expiry unless terminated by the parties thereof. As such it is a perpetual agreement between the parties. Although the Constellium Licence Agreement has provided for Gemilang Coachwork's rights of termination as a result of breach by Constellium and to continue to make use of the EcoRange System thereafter, our Directors confirm that there has been no breach by Constellium throughout our cooperation history with Constellium. Therefore, it is unlikely that we will terminate the Constellium Licence Agreement with Constellium. In any event, regardless whether the Constellium Licence Agreement is in place, due to the long term business relationship which is beneficial to both parties and that Constellium is a material supplier, we believe that Constellium would continue to supply and allow us to make use of the EcoRange System as long as we continue to purchase aluminium extrusion products from them.

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In light of the following, we, as concurred by our Sole Sponsor, do not consider that we are relying on the EcoRange System:

- Capability and know-how to build our own bus structure: Manufacturing of bus body and assembling of bus involves a number of processes and bus body superstructure is only a part of the whole process. Through over 15 years of manufacturing aluminium bodied buses, we have developed solid experience and know-how in our production process. In marketing our products, we work directly with customers on design, engineering and customer adaptation till delivery. We also engineer and manufacture the parts required for assembly. Moreover, our overall engineering solution is capable of considering alternative build methods. We believe we have developed a capability of providing an integrated solution to our customers. Our Directors believe that in any event, we have accumulated necessary know-how and expertise to build our own bus superstructure without the technical support from our suppliers. Going forward, we will continue to develop our in house capability in design and manufacture of key components of bus bodies.
  
- Customers place orders with us because of our high quality products: Our Directors consider that although, initially, we have helped to promote EcoRange System hand-in-hand with application of aluminium for bus body superstructure to customers, through over 15 years of our development, most of our customers now are familiar with aluminium as a key material for bus body superstructure. We believe that our customers place orders with us because of our own credibility, long business standing relationship, product quality and flexibility, as well as our capability of providing integrated solutions from design to manufacturing of bus body to assembling of the whole bus. During the Track Record Period, none of our top five customers have specifically requested us to apply a particular system or adopt a particular method including the adoption of the EcoRange System in our production process as long as our products are safe and complying with the relevant local standard or requirements.
  
- Total solution: Manufacturing a bus body and assembly of a bus consist of a number of equally important processes, each of which is independently developed, recorded and assessed. EcoRange System relates only to the superstructure of buses. Other important process including how the body is attached to the chassis, fitting out of floor, as well as other interior and exterior installations. These are all proprietary know-how that we have developed and owned. Production of a bus and bus body would require the combination of a wide range of engineering and manufacturing skills. EcoRange System is only part of all these skill sets which has been supplied by Constellium, and it would like to use such system to promote the use of its aluminium extrusion products in the manufacture of buses.



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- Alternative solutions to the EcoRange System: Our Directors confirm that the EcoRange System is unique in the market in its own right while it is not the only system for the manufacturing of aluminium superstructures, and alternative suppliers for aluminium extrusion products can provide comparable solutions at similar terms in relation to their products.

### *Our relationship with Constellium and reasons for sourcing aluminium extrusion products solely from Constellium*

Our Directors consider Constellium a good business partner in addition to being a reputable and reliable aluminium superstructure extrusion supplier. Based on the following, we believe that our relationship with Constellium is complementary and mutually beneficial and we do not consider that we are relying on Constellium:

#### (i) Our relationship

- We have developed strategic partnership with Constellium for over 15 years, through which we have established mutual trust and understanding by exchanging and sharing pertinent production and market information. Over the years, Constellium has provided us with inputs to improve our production process while we have kept Constellium abreast on the market demands and requirements in the Asia Pacific region.
- As confirmed by Constellium, we are the sole licensee of EcoRange System in Singapore and Malaysia as well as the second largest customer of Constellium in relation to their aluminium extrusion products for buses. Throughout the years of our cooperation, our high quality products and total solutions have helped to promote Constellium's aluminium extrusion products and our customer network has served as a major distribution channel for the sale of Constellium's materials in South East Asia.
- Constellium does not manufacture buses and bus bodies. It is primarily focusing on supplying aluminium and related products. Its core business is to work with companies like ourselves to engineer solutions for the use of aluminium extrusions it produces in the manufacturing of buses.
- So far as we understand, Constellium does not have any plan to distribute its products to end customers directly, and as one of the entrusted and important partners of Constellium for its aluminium extrusion products in the Asia Pacific region, we believe we have built a good track record of promoting aluminium extrusion products in the manufacture of buses in the past. Normally, Constellium would direct enquiries from third parties for supply of aluminium extrusion in the manufacture of buses in Asia Pacific region to us.

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- In addition, our strong market position in our core markets and our long-term presence in our developing markets have allowed us to keep close contact with end-users, thereby enabling us to understand and keep ourselves abreast with changes in customers' demand as well as regulatory and technical requirements. We believe that this in turn facilitates the development of practical knowhow in application of EcoRange System.
- Since our cooperation, we have not encountered any major procurement problem with Constellium.
- According to Ipsos Report, material suppliers generally rely on their customers to use and promote their products. With our continual efforts, we have been growing continually through increasing penetration in our core markets as well as expanding coverage in our developing markets. Such growth has both increased our sales and thus generated a higher volume of orders placed with Constellium for aluminium extrusion products.
- According to the Ipsos Report, it is common in the industry for manufacturers like us to source materials from a single material supplier based on products offered and relevant expertise of the supplier. Our Directors believe that as safety and reliability are important factors to win business and maintain good reputations, it would not be beneficial to both the aluminium extrusion suppliers and bus body builders to provide products that are not reliable or even not safe. In this connection, aluminium extrusion suppliers prefer good applicators of their materials to promote their product while bus body manufacturers also prefer using high quality materials for their products to meet the stringent requirements (in particular the safety and reliability requirements) of their customers. Such mutual trust relationship requires proven track record and long standing credibility from both sides. Our Directors believe that bus body manufacturers tend to use the same supplier for the same kind of material unless that supplier can no longer meet their requirements in terms of price, product quality and time of delivery, etc.
- Given our complementary and mutually beneficial cooperation with Constellium as detailed above, our Directors consider our relationship with Constellium is stable and we do not expect such relationship to deteriorate in the foreseeable future and the risk of Constellium terminating its supply of aluminium products to us is low.
- Furthermore, the automotive industry is constantly evolving such as through the exploration of application of new materials in the production process, for example composite materials or carbon. Therefore, our relationship with Constellium may undergo changes as a result of such developments.

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(ii) Contingency plan — alternative suppliers

- Although we source aluminium extrusion products solely from Constellium, in the unlikely scenario that our relationship with Constellium is terminated for whatever reason, we will be in a position to design and develop our own aluminium bus body superstructure using aluminium extruded products sourced from different suppliers, based on our own expertise and know-how accumulated over 25 years of operation. In the event that we do not continue the use of EcoRange System, there are other leading aluminium extrusion and profile manufacturers that are supplying aluminium extruded products to other bus manufacturers for the manufacture of aluminium buses. Such solutions are readily available and based on our expertise and experience, we are confident of adopting to these solutions easily, if required, to our production process. We believe that these alternative suppliers will be able to supply us with the aluminium extrusion products in the quantity and quality as well as on terms comparable to those offered by Constellium. Accordingly, while we value our long established relationship with Constellium, in the event that our licence for the use of EcoRange System is terminated by Constellium, we can still carry on our operations.
  
- In the unlikely event that we have to source aluminium extrusion products from alternative suppliers, we might incur additional cost in tooling or processing in the initial stage of corporation with new suppliers. We set out below brief information of alternative suppliers from which the Group may purchase aluminium extrusion products:

<u>Alternative suppliers</u>	<u>Profile information</u>	<u>Scale of operation</u>
Alternative supplier A	<ul style="list-style-type: none"> <li>— Founded in 1888, New York, alternative supplier A engineers and provides lightweight metal solutions and products (i.e. aluminium, nickel and titanium) for industries such as automobiles, aircrafts, packaging, building construction and industrial application.</li> <li>— Products of alternative supplier A include metal extrusions (i.e hard alloy extruded aluminium, extruded forgings and specialty metals).</li> </ul>	<ul style="list-style-type: none"> <li>— Approximately US\$23.0 billion.</li> <li>— Among the total revenue, approximately 28% was from rolled products, approximately 8% was from transportation and construction solutions, and approximately 64% was from others.</li> </ul>

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<b>Alternative suppliers</b>	<b>Profile information</b>	<b>Scale of operation</b>
Alternative supplier B	<ul style="list-style-type: none"><li>— Established in 1963, Norway, alternative supplier B provides aluminium solutions mostly to the automotive industries.</li><li>— Products of alternative supplier B include extrusions (i.e. soft alloy products), precision tubing and building systems.</li></ul>	<ul style="list-style-type: none"><li>— Approximately US\$7.0 billion.</li><li>— Among the total revenue, approximately 76% was from extrusion products, approximately 11% was from precision tubing and approximately 13% was from building systems.</li></ul>

- Although there are alternative suppliers for aluminium extrusion products in the market, we sourced aluminium extrusion products solely from Constellium for the reason of our long established relationship with Constellium and our inclination to source their products for their consistent and satisfactory performance.

In view of the above, the Sole Sponsor concurs with the Company that the Company's relationship with Constellium is complementary and mutually beneficial, and the Company are not unduly relying on Constellium.

### (iii) Prospect of the industry and viability of our business

Our Directors are of the view that the outlook of the bus body manufacturing industry in Asia will remain positive in the foreseeable future and thus our business is viable even considering our relationship with the aluminium extruded products supplier. For further information about the prospects of the industry, please refer to the section headed "Industry overview" of this prospectus.

For risks relating to our relationship with Constellium, please refer to the section headed "Risk factors — We source aluminium extrusions solely from Constellium and we rely on EcoRange System in manufacturing our aluminium bus bodies superstructure" of this prospectus.

## INVENTORY MANAGEMENT AND LOGISTICS

### Inventory management

As of 31 October 2013, 2014 and 2015 and 30 April 2016, we had inventories of approximately US\$8.42 million, US\$11.27 million, US\$6.88 million, and US\$12.24 million, respectively. During the Track Record Period, we did not make any provision for impairment of inventories.

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### **Materials and accessories**

In order to minimise our inventory level, we adopt a back to back policy where we will normally order relevant materials and accessories after we receive orders from our customers. As an exception, we generally have aluminium extrusions enough for assembling 10 buses in stock. For windscreens or windows, we will normally order a few extra as spares during the production process. After the specific project is completed, any remaining stocks will be used for the after-sales service.

We utilise an ERP inventory management system and implement an inventory policy to minimise our inventory levels and improve our operational efficiency. Under our inventory system, materials and other accessories procured are delivered directly to the production lines or kept at a temporary storage area for further delivery to the relevant production lines. Generally, the materials and accessories are placed into the production process only when they are used. The volume of the materials and accessories are minimised and kept at an appropriate level to facilitate the production process. Detailed data of inventory levels is timely updated into our ERP system database and can be checked and monitored at all times.

### **Finished products**

In order to shorten the lead time for delivery of our products, we adjust our planned inventory levels according to our current inventory level and the estimated demand for the coming months. We usually deliver our finished products as soon as all necessary pre-delivery procedures, (e.g. inspection for shipment) have been completed.

### **Logistics**

Our logistics department is in charge of arrangement of import and export of materials and/or products based on our purchase and sale orders. In the case of imported materials, we will request invoice and packing list from the supplier. We will then decide the proper transportation method based on production schedule and urgency level. We usually use forwarding agent to obtain freight rate from different shipment company and/or airlines, if applicable. The forwarding agent will help us clear customs and deliver the goods to our designated warehouse. In the case of imported goods, the shipment insurance is usually covered by us.

In the case of exported products, we will make delivery arrangement upon instructions from our sales department. We will also use forwarding agent in ordering containers and booking vessels/airlines, if applicable. We will then prepare shipment instruction to the liner for the issuance of bills of lading. Depending on the destination of our products, we may provide certificate of origin to the countries in which we have bilateral trade agreements upon the request of our customers.

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We have maintained stable business relationships with our forwarding agents. During the Track Record Period, we have not experienced any serious delay of import or export shipments that resulted in materials disruptions to our production or the delivery of our products.

### AWARDS AND RECOGNITIONS

As at the Latest Practicable Date, we have obtained the following awards and recognitions:

<u>Year</u>	<u>Awards and Recognitions</u>
2004	Gemilang Coachwork was the winner of the Golden Bull Award 2004
2009	Gemilang Coachwork was awarded the 8 <sup>th</sup> Asia Pacific International Entrepreneur Excellence Award 2009
2013	Gemilang Coachwork was awarded the MAN Body Builder Award 2013 by MAN for most bus bodies built on MAN chassis  Gemilang Coachwork was presented with the Scania Long Term Commitment Award by Scania Singapore Pte Ltd
2014	Gemilang Coachwork was announced as Coach Builder of the Year — Export Market by New Straits Times Press (M) Berhad  Gemilang Coachwork was awarded the MAN Body Builder Award 2014 by MAN for 3rd most bus bodies built on MAN chassis
2015	Gemilang Coachwork was awarded the MAN Body Builder Award 2015 by MAN for most bus bodies built on MAN chassis

### INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we have applied for one trademark in Hong Kong, Malaysia and Australia respectively, all of which are pending approval. Please see the paragraph headed “Further information about our business — Intellectual property rights of our Group” in Appendix VI to this prospectus for further details of our intellectual property rights.

As at the Latest Practicable Date, our Company does not own any trademarks or patents. We do not own any trademarks primarily because most of our products are integral parts of a bus which are usually branded under the brand name belonging to our chassis principals. Also, we do not own any patent so far.

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As at the Latest Practicable Date, we were not aware of any material infringement of our intellectual property rights and our Directors believe that we have taken all reasonable measures to prevent any infringement of our own intellectual property rights. As at the Latest Practicable Date, we were also not aware of any pending or threatened claims against us or any of our subsidiaries in relation to the infringement of any intellectual property rights of third parties.

### INSURANCE

We have carried occupational injury, medical and other mandated insurance for our employees in compliance with applicable Malaysian laws and regulations. We have also maintained combined general and product liability insurance which covers claims of public liability and products liability globally. The insured sum under this policy is US\$50 million. During the Track Record Period and up to the Latest Practicable Date, we have not received any material product liability claims from our end-user customers or any other third parties.

Based on an assessment of the risk exposure and the history of our operations, we believe that our insurance is adequate for bus assembler and bus body manufacturers in Malaysia. We continually review and assess the risk exposure of our operations and employees, and will make necessary and appropriate adjustments to our insurance coverage in line with our needs and industry practice and in compliance with regulatory requirements.

However, we may still be subject to losses resulting from risks that are not covered by the insurance we currently carry, such as losses caused by weather, disease, civil strife, difficulties or delays in obtaining raw materials and equipment, delay in our products being properly delivered to customers, natural disasters, terrorist incidents, industrial accidents or other causes. For details, please refer to the section headed “Risk factors — Insurance coverage for our business, products and properties may not be sufficient” of this prospectus.

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### EMPLOYMENT AND SAFETY

As at the Latest Practicable Date, we employed a total of 204 full time employees and engaged 18 contract workers, all of which are based in our facility in Johor. The following table shows the number of full time employees and contract workers by different job functions.

	<b>Number of employees/ contract workers</b>
Management . . . . .	14
Technical personnel . . . . .	23
Sales and marketing . . . . .	4
Clerical and administrative . . . . .	29
Factory workers	
— Skilled . . . . .	60
— Semi-skilled . . . . .	74
<b>SUBTOTAL</b> . . . . .	<b>204</b>
Contract workers . . . . .	18
<b>TOTAL</b> . . . . .	<b>222</b>

As at the Latest Practicable Date, out of our 204 full time employees, 125 of them are foreign workers. We use employment agents in sourcing foreign workers and making the application with the relevant governmental bureau. No contract has been entered into between us and the employment agents, but our agency fee will be paid upon each successful placement of foreign workers with us. We would be responsible for all the salary, benefits and contributions of all foreign workers during the term of their employment with us. We have complied with all statutory requirements that are currently applicable for hiring foreign workers. According to our Malaysia legal advisers, all the passports and work permits of such foreign employees currently working with us remain valid and have not expired as at the Latest Practicable Date.

#### **Contract worker**

In order to maintain maximum flexibility in allocating resources of our production forces, we have a policy of engaging contract workers in addition to our regular workforce. The level of involvement of contract workers would depend on expected workload and skill requirements of individual projects. We engage contract workers who possess the necessary experience, technical and supervisory skill to assist in our production process subject to the project undertaken. Currently, our Group has entered into agreements with our contract workers to perform specific contract works at our production sites. Pursuant to the terms of the contract for service, the Group shall instruct and guide the contract workers to carry out the contract work and any work as assigned by us. As advised by our Malaysia legal advisers, such contract arrangement is in compliance with the local laws and regulations. As at the Latest Practicable Date, we have engaged a total of 18 contract workers, which corresponds to 8.1% of our total number of employees and contract workers.



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The key terms of the contract with our contract workers are set forth below:

Service to be provided	The provision of labour skills and know-how in carrying out and completing the contract works, the scope of which are specified in the contract, which are normally part of the bus or bus bodies production process and other works as assigned by us.
Contract period	The contract period is normally two years.
Contract site	The contract site is normally our facility.
Contract worker's remuneration	The contract worker's remuneration will be calculated in accordance with the wage rate specified in the contract.
Our covenants	We would provide covenants including, among others:  (i) we shall allow the contract worker access to the contract site; and  (ii) we shall provide the contract worker with equipment (in addition to the contract worker's own equipment), materials or parts required by the contract worker to carry out the contract works.
Covenant of the contract worker	The contract worker would, if requested by us, give instructions to and guide factory workers to carry out the contract work.

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### **Subcontractor**

As our existing facility is approaching its capacity and in order to maintain our ability in meeting our customers' orders during the transition period when our new facility is under construction, we entered into a contract for services with Efficient Coach & Engineering Work, an Independent Third Party, in November 2015. Efficient Coach & Engineering Work is a proprietary limited company owned by one of our current contract workers, Mr. Ng Gaik Yam, who has been a contract worker with us for over 20 years, with extensive experience in installation and assembly of bus. We believe that the subcontractor is well aware of our quality requirements. Since the arrangement began in November 2015, the total subcontracting fees paid by us was approximately US\$588,000.

The key terms of the contract with the subcontractor are set forth below:

Contract work	Installation and assembly of bus, minimum of five to 10 buses per month.
Contract period	1 November 2015 to 30 October 2017.
Renewal	Subject to renewal upon mutual agreement at least three months before expiry of the contract period.
Contract price	A fixed sum of MYR40,000 per month and a variable sum which is to be determined before the commencement of individual project.
Termination	The contract is or shall be deemed to be terminated if, among others, (i) any party commit any breach of the obligations and fails to remedy such breach within 30 days of notice; or (ii) any party was declared bankrupted or insolvent.
Covenants by subcontractor	The subcontractor covenants with us, amongst other things, to (i) comply and obey the rules and regulations impose by us and all laws, rules and regulations imposed by statute on safety at work sites; (ii) carry out and complete the work as direct by us; (iii) responsible for its workers' salaries, benefits, remunerations and all statutory contributions; and (iv) indemnify and compensate for any parts and components damaged or lost by the subcontractor or its workers.

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### **Training and recruitment policy**

We entered into separate employment contracts with our employees in accordance with the applicable labour laws of Malaysia. The remuneration offered to employees generally includes salaries, medical benefits and bonuses. In general, we determine salaries of our employees based on each employee's qualification prior experience, position and seniority.

Our workforce is one of our most important assets and they are important to the continuing success of our Group. In order to enhance our employees' and contract workers' work performance, we conduct periodical training programmes covering various aspects of our operations including workplace and occupational safety.

During the Track Record Period, we did not experience any material turnover of staff or disruption to our business operations due to labour disputes. We believe that our management have and will continue to maintain good relations with our employees and contract workers.

### **Work safety**

We put a lot of emphasis on work safety and are also subject to relevant rules and regulations on occupational health and safety. For further details, please refer to the section headed "Regulations" of this prospectus. We have retained a dedicated safety officer, who is responsible for handling work safety trainings and accidents. We have established comprehensive work safety policies and procedures to ensure that our operations are in compliance with applicable laws and regulations. In addition, in order to increase workplace safety awareness, we provide regular safety-related training to our employees and contract workers and placed a number of warning signs at our work places.

Our occupational health and safety system primarily focuses on the following aspects:

- Implementation of precautionary measures. We take precautionary measures against fire hazards, theft, accidents and machinery damage. Our occupational health and safety system identifies our exposure to potential workplace safety and healthcare hazards and outlines the precautionary measures and arrangements designed to minimise and control those hazards to ensure that a high standard of health and safety is maintained in the workplace.
- Emergency response, notification and accident handling. We have a robust and well-established accident and safety response system. We have adopted the "Guidelines on Safety and Health (Notification of Accident, Dangerous Occurrence Occupational Poisoning and Occupational Disease) Regulation 2004" which address industry safety, workplace and emergency hygiene and accidents. The guidelines specify the reporting procedures, record keeping in relation to workplace accidents.
- Equipment maintenance. We endeavour to maintain all our facilities and equipment on a regular basis. We performed schedule maintenance on our equipment on a monthly basis and all of our equipment are in working condition.

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- Safety training. We provide regular safety trainings to all employees and contract workers. Newly recruited employees must go through a series of safety training sessions. Employees and contract workers operating key equipment must participate in periodic safety training. Before we employ any new equipment or production technology, the operators will be properly trained.
- Risk management. According to our occupational health and safety system, in order to ensure we are able to provide a safe working environment to our employees, we conduct safety inspections on a periodic basis to minimise potential safety hazards in our production process. Once any health or safety risk is identified, we will strengthen the safety measures against the health and safety risks found.

From the commencement of the Track Record Period and up to the Latest Practicable Date, we had two reported workplace accidents details of which are set out as below:

<u>Incident Date</u>	<u>Incident Type</u>	<u>Incident Severity</u>	<u>Location</u>	<u>Subject</u>	<u>Treatment Required</u>	<u>Incident Status</u>
10 April 2016	Injury	Serious	Facility	Broken leg when falling from height	Government hospital	Settled
21 June 2016	Injury	Slight	Facility	Finger Injury	Medical	Settled

Our Directors confirm that the above work place accidents are not material in nature and they are all settled as at the Latest Practicable Date. As the Group has insurance in place to cover work place accidents, the Directors believe that the incidents mentioned above would not result in any adverse impact on the Group's financial position. After these accidents, the management has conducted meeting to discuss measures in preventing future occurrence and provided further training to our factory workers.

We believe that our occupational health and safety system will continue to help us to ensure employees' health and safety are taken care of as we continue to expand our operations. However, there can be no assurance that material accidents will not occur in the future.

According to our Malaysia legal advisers, we have been in compliance with all applicable laws, regulations and administrative rules regarding health and work safety and production safety in all material aspects in Malaysia and were not subject to any material penalties by Malaysian regulatory authorities during the Track Record Period. There was no claim for any personal or property damages by our employees during the Track Record Period.

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## **BUSINESS**

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### **ENVIRONMENTAL MATTERS**

Our production facility generates and/or discharges wastes such as rags, plastics, papers or filters contaminated with waste of ink or paints and air pollutant in production activities and are subject to a number of environmental and safety laws and regulations in Malaysia. Please refer to the section headed “Regulations” of this prospectus for further details in this regard. We consider the protection of the environment to be important and have implemented procedures for waste storage, handling and/or disposal. As advised by our Malaysia legal advisers, our environmental protection procedures have consistently been in compliance with applicable environment standards in our production facility.

According to our Malaysia legal advisers, we have complied with the requirements of the Environmental Quality (Scheduled Wastes) Regulations 2005, which generally regulates the generation and disposal of wastes prescribed thereby, and the air emission from our factory are within the standard limits imposed by the Environmental Quality (Clean Air) Regulation 1978.

For the years ended 31 October 2013, 2014 and 2015 and the six months ended 30 April 2016, our cost of compliance with the applicable rules and regulations in relation to environmental protection was approximately US\$0.04 million, US\$0.01 million, US\$0.01 million and US\$0.02 million, respectively. We expect the annual cost of compliance with such rules and regulations to amount to approximately US\$0.04 million and US\$0.04 million, respectively, for 2016 and 2017, respectively.

### **REAL PROPERTIES**

We occupy certain properties in Malaysia in connection with our business operations. We set out below the classification of our properties and the classification of properties adopted by the reporting accountants in the Accountants’ Report of the Group set out in Appendix IA to this prospectus and the property valuer in the property valuation report set out in Appendix IV to this prospectus:

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## BUSINESS

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### Owned properties

As at the Latest Practicable Date, the Company is the registered proprietor of two parcels of land with an aggregate floor area of approximately 45,000 sq.m., details of which are summarised in the following table:

No.	Location	Category of use	GFA (sq.m.)	Term of use
PTD 108312	Jalan Seelong, Mukim of Senai 81400 Senai, District of Kulai, Johor, Malaysia	Industrial	30,786	freehold
PTD 43225, PTD 43227 and PTD 43228 <sup>(1)</sup>	Jalan Seelong, Mukim of Senai 81400 Senai, District of Kulai, Johor, Malaysia	Industrial	14,280	freehold

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*Note:*

- (1) Pursuant to three land title certificates, the freehold interest of the subject three contiguous land parcels PTD Nos. 43225, 43227 and 43228 with a total site area of 1.428 hectares are held by the Group for agricultural use. The Group has obtained conditional approval for amalgamation of the three parcels of land and to change the category of use from agriculture to industrial. For details of the application and approval for amalgamation and change of use of the three parcels of land, please refer to Note (4) and Note (5) of the valuation certificate to the valuation report set out in Appendix IV to this prospectus.

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## BUSINESS

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### Leased properties

As of the Latest Practicable Date, we leased two properties in Johor, details of which are summarised in the following tables:

No.	Location	Use of property	Term of use
161	No. 161, Jalan Senai Jaya 9, Taman Senai Jaya, 81400 Senai, Johor, Malaysia	For hostel purpose	1 January 2015 to 31 December 2016
62	No. 62, Jalan Mutiara Emas 10/12, Taman Mount Austin, Johor Bahru, Johor, Malaysia	For hostel purpose	1 November 2015 to 31 October 2016

According to our Malaysia legal advisers, the landlords of our leased properties are the respective legal and beneficial owners and by virtue of such ownership, the landlords possess the legal position to enter into the relevant lease agreements or tenancy agreements, as the case may be, with us.

Please refer to Appendix IA and Appendix IV to this prospectus for the full text of the Accountants' Report of the Group and Property Valuation Report, respectively.

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## BUSINESS

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### LICENCES AND PERMITS

Our Directors, after consultation with our Malaysia legal advisers, confirm that, as of the Latest Practicable Date, we had obtained all material licences, approvals and permits from relevant Malaysia authorities for our operations in Malaysia. The following table sets forth details of our material permits and licences.

<u>Licence/permit/certificate</u>	<u>Holder</u>	<u>Effective date</u>	<u>Expiration date</u>
Manufacturing licence — manufacture and assembly of new bus body, complete bus and refurbish complete bus	Gemilang Coachwork	12 March 2005	None
Manufacturing licence — assembly of chassis frame for commercial vehicle	Gemilang Coachwork	7 July 2011	None
Certificate of registration for engineering workshop (Category A)	Gemilang Coachwork	4 March 2015	3 March 2017
Business and advertising licence	Gemilang Coachwork	1 January 2016	31 December 2016
Fire certificate	Gemilang Coachwork	1 June 2016	31 May 2017

Certain of our material permits and licences have a limited period of validity. We monitor the validity status of our permits and licences, and make timely applications for the renewal of relevant permits and licence prior to the expiration dates. We did not experience any material difficulty in obtaining or renewing the required permits and licences or our business operations during the Track Record Period or up to the Latest Practicable Date. We do not expect any material impediment in renewing our material permits and licences as they expire in future.

### LEGAL PROCEEDINGS AND COMPLIANCE

#### Non-compliances

Our Directors confirm that, save as disclosed below under this paragraph, we have been in compliance with all of the relevant regulatory requirements in all material aspects during the Track Record Period and up to the Latest Practicable Date.



# BUSINESS

## Non-compliance under the Street, Drainage and Building Act 1974 of Malaysia by Gemilang Coachwork

Non-compliance incidents	Major causes of non-compliance incidents	Legal consequences, potential maximum penalties	Rectification actions	Impact on our operations and financial positions	Internal control measures adopted to prevent future non-compliance
<p>1. Section 70(1) of Street, Drainage and Building Act 1974 (the “SDB Act”) which prohibits the erection of any building without the prior written permission of the local authority. The relevant local authority is Kulai Municipal Council. (the “Local Authority”).</p> <p>Temporary structures attaching to existing building (“Temporary Structure”) erected on the land held under HS(M) 4312, PTD 108312, Seelong in the Mukim of Senai, District of Kulaijaya and State of Johor, Malaysia was constructed without obtaining the prior permission of the Local Authority.</p>	<p>Prior written approval from the local authority is usually applied for and obtained by a qualified person who has prepared and submitted the building and layout plans for approval. In January 2013, Gemilang Coachwork appointed building contractor for the construction of the Temporary Structure. The building contractor considered that the Temporary Structure was not “building” within the meaning of the SDB Act and did not require any approval, and had not therefore appointed an architect, who is a qualified person under the SDB Act, to submit the building plans to the Local Authority for approval. The Temporary Structure measures approximately 9,246 square feet and was used by Gemilang Coachwork as storage area.</p> <p>In the course of our preparation for the Listing, it was discovered that the Temporary Structure might fall within the meaning of “building” under the SDB Act upon the advice of our Malaysia legal advisers.</p>	<p>A person found to be in contravention of section 70(1) of the SDB Act shall upon conviction be liable to a fine not exceeding MYR50,000 and to imprisonment for a term not exceeding 3 years; and shall be liable to further fine of MYR1,000 for every day during which the offence is continued after conviction.</p> <p>In addition, the local authority or the court may issue a notice or make an order for the demolition of the building concerned.</p> <p>As advised by our Malaysia legal advisers, there has not been any reported court case imposing a custodian sentence for contravention of Section 70(1) of the SDB Act.</p>	<p>Upon being advised by our Malaysia legal advisers that the Temporary Structure might fall within the meaning of “building” under the SDB Act and require the written approval of the Local Authority, Gemilang Coachwork originally intended to demolish the Temporary Structure, but subsequently decided to retain the Temporary Structure and, as advised by our Malaysian legal advisers, that Gemilang Coachwork would apply to the Local Authority for the approval of building plans and the issuance of the certificate of completion and compliance. Pending the approval for the building plans and issuance of the certificate of completion and compliance, Gemilang Coachwork has applied to the Local Authority for a temporary permit to occupy and use the Temporary Structure on 8 September 2016. The temporary permit for the Temporary Structure was issued by the Local Authority on 5 October 2016 for a period of one year subject to conditions imposed by the Local Authority. It is expected that the approval to the building plans and issuance of certificate of completion and compliance for the Temporary Structure will be obtained on or before 30 June 2017.</p>	<p>The Temporary Structure was used by Gemilang Coachwork as storage area and the demolition of which will not affect our production process and business operations.</p> <p>As advised by our Malaysia legal advisers, once the temporary permit is issued and during the validity of the temporary permit, Gemilang Coachwork will not be in contravention of the SDB Act.</p> <p>As advised by our Malaysia legal advisers, in the event that Gemilang Coachwork is prosecuted for contravention of section 70(1) of the SDB Act, the likely penalty will be a fine of not exceeding MYR50,000, and it is highly unlikely that there will any custodian sentence.</p> <p>Accordingly, the non-compliance is not expected to have any material impact on our operations and financial positions.</p>	<p>We have enhanced our internal control policy on 1 July 2016 to ensure our compliance with applicable laws and regulations. For any proposed construction work in the future, we will require our building contractor to appoint an architect, who is a qualified person under the SDB Act, to advise on the proposed construction work and to provide documentary evidence of all necessary approvals before the commencement of any construction works, and if consider appropriate, we will seek independent legal advice on any proposed construction works before any works is commenced.</p>

## BUSINESS

Non-compliance incidents	Major causes of non-compliance incidents	Legal consequences, potential maximum penalties	Rectification actions	Impact on our operations and financial positions	Internal control measures adopted to prevent future non-compliance
<p>2. Section 70(20) of SDB Act which prohibits the occupation of any building or any part thereof without a certificate of completion and compliance (“CCC”)</p> <p>The Temporary Structure was used by Gemilang Coachwork as storage area without a CCC.</p>	<p>CCC is issued by qualified person. One of the requirements for the issue of the CCC is that the building has been constructed in accordance with the building plans approved by the local authority. As the building contractor did not appoint an architect, no CCC was issued for the Temporary Structure.</p> <p>It was discovered that the Temporary Structure might fall within the meaning of “building” under the SDB Act upon the advice of our Malaysia legal advisers in the course of our preparation for the Listing.</p>	<p>A person found to be in contravention of section 70(27)(f) of the SDB Act shall upon conviction be liable to a fine not exceeding MYR250,000 and to imprisonment for a term not exceeding 10 years.</p> <p>As advised by our Malaysia legal advisers, there has not been any reported court case imposing a custodian sentence for contravention of Section 70(20) of the SDB Act.</p>	<p>Upon being advised by our Malaysia legal advisers that the Temporary Structure might fall within the meaning of “building” under the SDB Act, which will require the written approval to the building and layout plans from the Local Authority and the issuance of CCC, Gemilang Coachwork originally intended to demolish the Temporary Structure but subsequently decided to retain the Temporary Structure and, as advised by our Malaysian legal advisers, that Gemilang Coachwork would apply to the Local Authority for the approval of building plans and the issuance of the CCC. Pending the approval for the building plans and issuance of the CCC, Gemilang Coachwork has applied to the Local Authority for a temporary permit to occupy and use the Temporary Structure on 8 September 2016. The temporary permit for the Temporary Structure was issued by the Local Authority on 5 October 2016 for a period of one year subject to conditions imposed by the Local Authority. It is expected that the approval to the building plans and issuance of CCC for the Temporary Structure will be obtained on or before 30 June 2017.</p>	<p>The Temporary Structure was used by Gemilang Coachwork as storage area and the demolition of which will not affect our production process and business operations.</p> <p>As advised by our Malaysia legal advisers, once the temporary permit is issued and during the validity of the temporary permit Gemilang Coachwork will not be in contravention of the SDB Act.</p> <p>As advised by our Malaysia legal advisers, in the event that Gemilang Coachwork is prosecuted for contravention of section 70(20) of the SDB Act, the likely penalty will be a fine of not exceeding MYR250,000, and it is highly unlikely that there will any custodian sentence.</p> <p>Accordingly, the non-compliance is not expected to have any material impact on our operations and financial positions.</p>	<p>We have enhanced our internal control policy on 1 July 2016 to ensure our compliance with applicable laws and regulations. For any proposed construction work in the future, we will require our building contractor to appoint an architect, who is a qualified person under the SDB Act, to advise on the proposed construction work and to provide documentary evidence of all necessary approvals before the commencement of any construction works, and if consider appropriate, we will seek independent legal advice on any proposed construction works before any works is commenced.</p>

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### Non-compliance under the Income Tax Act 1967 of Malaysia by Gemilang Coachwork

Non-compliance incidents	Major causes of non-compliance incidents	Legal consequences, potential maximum penalties	Rectification actions	Impact on our operations and financial positions	Internal control measures adopted to prevent future non-compliance
<p>1. Section 113 of the Income Tax Act 1967 (the "Tax Act") provides that any person who makes an incorrect tax return by omitting or understating income or gives incorrect information affecting chargeability to tax otherwise than in good faith shall be guilty of an offence.</p> <p>Gemilang Coachwork was subject to tax review by the Inland Revenue Board of Malaysia ("MIRB") in September 2015</p>	<p>In September 2015, MIRB commenced tax review on Gemilang Coachwork. In June 2016, MIRB determined that Gemilang Coachwork had over claimed tax exemption available for increase in value of exports by overstating the value of exports for the year of assessment 2012.</p> <p>Gemilang Coachwork engaged a tax consultant to handle its tax related matters and had been relying on its consultant to report and file all relevant tax returns. In applying for tax exemption in relation to exports, the tax consultant inadvertently adopted the value of export as stated in the export forms without first subtracting therefrom the value of chassis which should have been excluded for tax exemption.</p>	<p>A person found to be in contravention of section 113(1) of the Tax Act shall upon conviction be liable to a fine of not less than MYR1,000 and not more MYR10,000 and shall pay a special penalty of double the amount of tax which has been undercharged.</p> <p>Under section 113(2) of the Tax Act, the Director General of MIRB may require a person to pay a penalty equal to the amount of tax undercharged or such abated amount of penalty, and if that person pays the penalty, he shall not be liable to be charged with an offence under section 113(1) of the Tax Act.</p>	<p>In June 2016, the Director General of MIRB invoked section 113(2) of the Tax Act and required Gemilang Coachwork to pay the additional tax and penalty assessed at MYR278,000. Gemilang Coachwork duly paid the amount demanded on 7 July 2016. As advised by our Tax Consultant, the payment of the additional tax and penalty at MYR278,000 is a full and final settlement of the tax review by MIRB. The settlement was confirmed and approved by the letter from MIRB dated 21 August 2016.</p> <p>Gemilang Coachwork has engaged an international accounting firm as its tax consultant which is believed to have expertise and more experience in the relevant tax regulations.</p>	<p>As advised by our Malaysia legal advisers and our Tax Consultant, since the Director General of MIRB Gemilang Coachwork has invoked section 113(2) of the Tax Act and Gemilang Coachwork has duly paid the additional tax and penalty as required, Gemilang Coachwork will not be liable to be charged with an offence under section 113(1) of the Tax Act.</p> <p>Further, as advised by our Tax Consultant, since MIRB has conducted and concluded the tax review on Gemilang Coachwork, Gemilang Coachwork is unlikely to be subject for further tax review by MIRB in respect of any period prior to September 2015.</p> <p>Accordingly, the non-compliance is not expected to have any material impact on our operations and financial positions.</p>	<p>We have engaged an international accounting firm to handle and advise our Group's tax related matters. Our financial controller and senior management from our accounts and finance department are required to review and discuss with the tax consultant all draft tax filings and returns prepared by our tax consultant. In addition, approval from our Board is required for all draft tax filings and returns before they are submitted to the relevant authorities.</p>

### View of our Directors and the Sole Sponsor

Our Directors consider that the abovementioned non-compliance incidents would not affect the suitability of our executive Directors under Rules 3.08 and 3.09 of the Listing Rules or the suitability of listing of our Company under Rule 8.04 of the Listing Rules having taken into account that (i) our Group has fully rectified or have taken steps to rectify all of the non-compliance incidents, where appropriate; (ii) our Group has implemented (or will implement where applicable) the measures described above to avoid recurrence of the non-compliance incidents; (iii) our internal control consultant has reviewed the internal control measures in relation to the above mentioned non-compliance incidents, and is of the view that the controls over the non-compliance incidents are in place; (iv) the non-compliance incidents did not involve any dishonesty or fraudulent act on the part of our executive Directors; and (v) the executive Directors' procuring the rectification works and

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## BUSINESS

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measures to prevent recurrence of the non-compliance incidents demonstrates that their integrity is not at risk. In view of the above, our Directors believe, and the Sole Sponsor concurs that, the internal control measures are sufficient and could effectively ensure a proper internal control system of our Group and prevent the recurrence of non-compliance incident.

### **Indemnity by our Controlling Shareholders to our Group in respect of the non-compliance incidents**

Our Controlling Shareholders have entered into the Deed of Indemnity and undertaken to indemnify our Group against any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by our Group arising from any violation or non-compliance with the laws, rules or regulations applicable to us prior to the Listing Date. For details of the Deed of Indemnity, please referred to the paragraph headed “Other information — Estate duty, tax and other indemnities” in Appendix VI to this prospectus.

### **Legal proceedings**

We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business. As confirmed by our Hong Kong legal advisers, Malaysia legal advisers, Singapore legal advisers and Australia legal advisers, there were no material legal claims against us during the Track Record Period and as at the Latest Practicable Date. Also, as at the Latest Practicable Date, our Group was not involved in any court proceedings for any dispute.

As at the Latest Practicable Date, none of our Directors were involved in any legal or arbitral proceedings, whether actual or threatened.

## **INTERNAL CONTROL AND RISK MANAGEMENT**

### **Internal control**

It is the responsibility of our Board of Directors to ensure that our Group maintains sound and effective internal controls to safeguard our Shareholders’ investment and our Group’s assets at all times. We have adopted, or expect to adopt before the Listing, a series of internal control policies, procedures and programmes designed to provide reasonable assurance in achieving our objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

- **Code of conduct** — Our code of conduct explicitly communicates to each employee our values, acceptable criteria for decision-making and our ground rules for behaviour. Our code of conduct also includes whistleblowing policies to encourage all employees to speak up against any sub-standard behaviour.

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## BUSINESS

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- **Anti-corruption** — Our anti-corruption policies provide the tools and resources necessary to enable, monitor and enforce full compliance with the anti-bribery and anti-corruption laws of Malaysia and other countries where we conduct our business operations. Compliance with our anti-corruption policies is a condition of our employment.
- **Internal Audit** — Our internal audit function regularly monitors key controls and procedures in order to assure our management and Board of Directors that the internal control system is functioning as intended. The Audit Committee of our Board of Directors is responsible for supervising our internal audit function.
- **Compliance with Listing Rules** — Our various policies aim to ensure compliance with the Listing Rules, including but not limited to aspects related to corporate governance, connection transactions and securities transactions by our Directors.

### **Risk management**

During the Track Record Period, we assessed and managed risks arising from our operations based on the experience of our Group's management and our professional and technical staff. As advised by our independent internal control consultant, in order to improve our Group's internal control and risk management system in the future, our Group has established the following on-going process for identifying, evaluating and managing significant risks faced by our Group. The key procedures that our Group has established and implemented are summarised as follows:

- risks will be identified by our management team and reviewed by our Board;
- action plan will be considered, so long as the risk is recognised, addressed and mitigated;
- set up of contingency plans for key risk areas;
- our Board will monitor regulatory compliance by the Group including risk of non-compliance identified through communications between the heads of different departments and from public information; and
- we have appointed Alliance Capital Partners Limited as our compliance advisor (with effect from the Listing Date) to advise our Board on regulatory compliance with the Listing Rules and SFO.

Our Directors confirmed that during the Track Record Period, no material failure occurred and we believe that our internal control and risk management system are sufficient and effective.

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## **RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS**

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Immediately after completion of the Global Offering (without taking into account of any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), Sun Wah will hold approximately 32.83% and Golden Castle will hold approximately 32.83% of our enlarged issued share capital respectively. Sun Wah is wholly owned by Mr. SW Phang and Golden Castle is wholly owned by Mr. CY Pang. Accordingly, through Sun Wah and Golden Castle, Mr. SW Phang and Mr. CY Pang, both of our Directors, are our Controlling Shareholders.

Pursuant to the Concert Party Deed, Mr. SW Phang and Mr. CY Pang have been parties acting in concert (having the meaning ascribed to it under the Takeovers Code) during the Track Record Period and in the course of the Reorganisation and will continue to be parties acting in concert (having the meaning ascribed to it under the Takeovers Code) until such arrangement is terminated in writing by them pursuant to the Concert Party Deed. For details, please refer to the section headed “History, Reorganisation and corporate structure — Concert Party Deed” of this prospectus.

### **OUR BUSINESS**

Our Group designs and manufactures bus bodies and assembles buses with our products mainly serving the public and private bus transportation operators in markets including Malaysia, Singapore, Australia, Hong Kong, China and India.

### **DELINEATION OF BUSINESS**

Apart from our Group, our Controlling Shareholders (including Sun Wah, Golden Castle, Mr. SW Phang, Mr. CY Pang and their respective close associates) are currently conducting other businesses or holding interest directly or indirectly in certain companies, including the business of palm oil cultivation, installation of air-conditioning and related business and investment holding. As we design and manufacture bus bodies and assemble buses with our products mainly serving the public and private bus transportation operators in markets including Malaysia, Singapore, Australia, Hong Kong, China and India while our Controlling Shareholders and their respective close associates outside our Group generate their revenue from business of palm oil cultivation, installation of air-conditioning and related business and investment holding, and none of such businesses is related to design and manufacturing of bus bodies and assembling buses, our Directors are of the view that there is a clear delineation between the principal business and business model of the Company and those of the companies owned by our Controlling Shareholders. Therefore, none of the companies owned by our Controlling Shareholders or their respective close associates outside our Group would compete, or would be likely to compete, directly or indirectly, with our principal business, which would require disclosure under Rule 8.10 of the Listing Rules. To ensure that competition will not exist in the future, our Controlling Shareholders have entered into the Deed of Non-Competition with

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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the Company to the effect that they will not, and will procure their subsidiaries (other than our Group) and their close associate(s) (as appropriate) not to, directly or indirectly participate in, or hold any interest or right or otherwise be involved in our principal business.

### DIRECTORS' COMPETING INTEREST

Save as disclosed in this prospectus, none of the Controlling Shareholders, Directors and their respective associates has any interests in any business which directly or indirectly compete or likely to compete with our Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

### DEED OF NON-COMPETITION

In order to confirm that competition will not occur in the future, each of our Controlling Shareholders as covenantors (each a "**Covenantor**", and collectively, the "**Covenantors**") have signed the Deed of Non-Competition with us to the effect that the excluded businesses will not, and will confirm each of their respective associates not to, directly or indirectly take part in, or hold any rights or interests or otherwise be involved in, any business which may be in competition with our business.

In accordance with the Deed of Non-Competition, each Covenantor undertakes that, from the Listing date and ending on the occurrence of the earliest of (i) the date on which, in relation to any Covenantor, it/he, together with its/his associates, whether individually or taken together, ceases to be interested in 30% of the issued share capital of our Company (or such other amount as may from time to time be specified in the Listing Rules as issued share capital of our Company), provided that the Deed of Non-Competition shall continue to be in full force and effect as against the other Covenantors; or (ii) the date on which the Shares cease to be listed on the Main Board of the Stock Exchange (other than suspension of trading of the Shares for any other reason); or (iii) the date on which the Covenantors beneficially own or become interested jointly or severally in the entire issued share capital of our Company (the "**Restricted Period**"); it/he will not, and will use its/his best endeavours to procure any Covenantor, its/his associates (collectively, the "**Controlled Persons**") and any company directly or indirectly controlled by the Covenantor (the "**Controlled Company**") not to, either on its/his own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistance to any person, firm or company (except members of the Group) to conduct any business which, directly or indirectly, competes or may compete with the business of our Company or any of its subsidiaries including the design and manufacturing of bus body, assembly of bus and any related services (the "**Restricted Business**").

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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### 1. Non-competition

Each Covenantor undertakes that it/he will not, and will use its/his best endeavours to procure any Covenantor, any Controlled Person and any Controlled Company not to, either on its/his own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistance to any person, firm or company (except members of our Group) to conduct any Restricted Business.

### 2. New business opportunity

If any Covenantor, any Controlled Person and/or any Controlled Company is offered or becomes aware of any business opportunity to, directly or indirectly, engage in or own a Restricted Business (the “**New Business Opportunity**”):

- (a) It/he shall promptly notify our Company of such New Business Opportunity in writing and refer the same to our Company for consideration, and shall provide the relevant information to our Company in order to enable it to make an informed assessment of such opportunity; and
- (b) It/he shall not, and shall procure that its/his Controlled Persons or Controlled Companies shall not, invest or participate in any New Business Opportunity, unless such New Business Opportunity shall have been rejected by our Company and the principal terms on which the Covenantor or its/his Controlled Persons or Controlled Companies shall invest or participate in such New Business Opportunity are no more favourable than those made available to our Company.

A Covenantor may only engage in the New Business Opportunity if (i) a notice is received by the Covenantor from our Company confirming that the New Business Opportunity is not accepted and/or does not constitute a Restricted Business (the “**Non-acceptance Notice**”); or (ii) the Non-acceptance Notice is not received by the Covenantor within 10 days after the proposal of the New Business Opportunity is received by our Company.

A Covenantor, being a Director who has an actual or potential material interest in the New Business Opportunity, shall abstain from attending (unless his attendance is specifically requested by the remaining non-interested Directors) and voting at, and shall not count towards the quorum for, any meeting or part of a meeting convened to consider such New Business Opportunity. An independent board of committee which is comprised of non-interested Directors and independent non-executive Directors will be responsible for assessing the New Business Opportunity and making the decision as to whether or not to take up any particular New Business Opportunity.



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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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### 3. General Undertaking

In order to ensure the performance of the above-mentioned non-competition undertakings, each of the Covenantors will:

- (a) provide all information necessary to our Company and our Directors for the annual review by the independent non-executive Directors with regard to compliance with the terms of the Deed of Non-Competition and the enforcement of the undertakings contained therein by each of them;
- (b) make an annual declaration on compliance with such undertakings in the annual reports of our Company and each of the Covenantors acknowledges that the independent non-executive Directors will review, at least on an annual basis, the compliance with such undertakings given by each of the Covenantors, including all decisions taken in each quarter of the year on whether to pursue a New Business Opportunity in accordance with the Deed of Non-Competition and our Company will make disclosures in its annual reports or by way of announcements regarding the decisions and the rationale of those decisions (as appropriate) of the independent board committee on matters referred to in the Deed of Non-Competition and each of them hereby gives its/his general consent to such disclosure;
- (c) in the event of any disagreement between the parties to the Deed of Non-competition as to whether or not any activity or proposed activity of the Covenantors constitutes a Restricted Business, procure that the matter be determined by the independent non-executive Directors whose majority decision shall be final and binding; and
- (d) abstain from voting at, and not be counted as part of the quorum of, any meetings of shareholders and/or board of directors of our Company for consideration and approval of any matters referred to in the Deed of Non-Competition which have, or may give rise to, conflicts of interest, actual or potential.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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### 4. Option and right of first refusal

Each of the Covenantors undertakes to grant to our Company an option (the “**Options**”), as part of the Deed of Non-Competition, to acquire the whole or part of its interest in any Restricted Business held directly or indirectly by a Covenantor, a Controlled Person or a Controlled Company and the business arising from the New Business Opportunity above not taken up or deemed to be not taken up by our Company at any time subject to the Exercise Conditions (as defined below). The price at which the Options will be exercised shall be negotiated and agreed at arm’s length between our Company and the relevant Covenantor at the time of exercise. If the relevant Covenantor and our Company fail to agree on the exercise price, an independent internationally recognised firm of valuers will be appointed to determine the exercise price.

Each of the Covenantors undertakes to grant to our Company a right of first refusal (the “**Right of First Refusal**”) as part of the Deed of Non-Completion and subject to the Exercise Conditions (as defined below), in the event that any of the Covenantors, any Controlled Person or Controlled Company wishes to sell the whole or any part of its/his interest in any Restricted Businesses owned by it/him or the business arising from the New Business Opportunity above not taken up or deemed to be not taken by our Company (the “**Opportunity for Sale**”), such Covenantor, Controlled Person or Controlled Company must first make an offer to sell such interest to our Company.

A Covenantor shall serve our Company a written notice which shall include the terms and conditions of and the information and documents necessary in respect of the Opportunity for Sale to enable our Company to evaluate the merit of the Opportunity for Sale (the “**Transfer Notice**”).

Subject to the Exercise Conditions (as defined below), our Company shall serve each Covenantor and where applicable any of the Controlled Persons or Controlled Companies a written notice stating whether it will acquire the Opportunity for Sale on the terms and conditions set out in the Transfer Notice within one month thereof.

In the event that following the satisfaction of the Exercise Conditions, our Company serves the written notice stating that our Company and our Group shall not acquire the Opportunity for Sale on the terms and conditions set out in the Transfer Notice or our Company does not proceed with the acquisition of the Opportunity for Sale within one month from the date of the Transfer Notice, each Covenantor or the relevant Controlled Person or Controlled Company shall be entitled to transfer the Opportunity for Sale to third parties provided that the terms and conditions of the transfer shall be the same as or no more favourable than those set out in the Transfer Notice.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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Decisions as to whether to exercise the Options or the Right of First Refusal shall be subject to the independent non-executive Directors and the independent shareholders of our Company (if required) approving the acquisition. In addition, our Company should appoint an independent financial advisor to review the terms of the acquisition of the interests in any Restricted Business and provide a letter of advice to the independent board committee and the independent shareholders of our Company (if required) (collectively, the “**Exercise Conditions**”).

The Deed of Non-Competition shall not apply if a Covenantor owns any interest not exceeding five per cent of the issued shares in any company conducting any Restricted Business (the “**Relevant Company**”), and such company or its holding company is listed on any recognised stock exchange (as defined under the SFO), notwithstanding that the business conducted by the Relevant Company constitutes or might constitute a Restricted Business, provided that (i) the shareholding of any one shareholder (and its/his associates, if applicable) in the Relevant Company is more than that of a Covenantor, a Controlled Person and/or a Controlled Company at any time; and (ii) the total number of the relevant Covenantor’s representatives on the board of directors of the Relevant Company is not significantly disproportionate with respect to its/his shareholding in the Relevant Company.

The Deed of Non-Competition and the rights and obligations thereunder are conditional upon the conditions set out in “Structure of the Global Offering” of this prospectus.

As the Covenantors have given the undertakings under the Deed of Non-Competition in favour of our Company, and none of them have interests in other businesses that compete or are likely to compete with business of our Group save as disclosed above, our Directors are of the view that they are capable of carrying on our business independently of the Covenantors following the Listing. Save as disclosed above, none of the Covenantors and our Directors has interests in any business which competes or is likely to compete with the business of our Group.

### CORPORATE GOVERNANCE MEASURES

Our Directors recognise the significance of good corporate governance to protect the interest of our Shareholders. We would adopt the following corporate governance measures to manage latent conflict of interests between our Group and the Controlling Shareholders:-

- (a) Where a Shareholders’ meeting is held for a proposed transaction in which the Controlling Shareholders have a material interest, the Controlling Shareholders shall abstain from voting on the resolutions and shall not be counted in the quorum for the voting;

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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- (b) Where a Board meeting is held for the issues in which a Director has material interest in relation of which a conflict or potential conflict of interest with our Group may emerge, he must make full disclosure regarding to such issue to our Board, and such Director shall abstain from voting on the resolutions and shall not be counted in the quorum for the voting;
- (c) We are committed to ensuring that the Board has a balanced composition of executive and non-executive Directors including independent non-executive Directors to ensure that there is a strong independent element on our Board, which can efficaciously exercise independent judgment and will be able to deliver neutral and professional advice to safeguard the interest of the minority Shareholders;
- (d) Each of our Controlling Shareholders will produce an annual declaration on its compliance with the Deed of Non-Competition in the annual report of our Group and confirm that the disclosure of details of the compliance with and the enforcement of the Deed of Non-Competition is constant with the principles of disclosure under the Corporate Governance Code enclosed in Appendix 14 to the Listing Rules;
- (e) Our independent non-executive Directors will review the compliance by the Controlling Shareholders and enforcement of the Deed of Non-Competition on an annual basis. The Controlling Shareholders will give all information requested by our Group which is necessary for such review by our independent non-executive Directors. Our Group will announce their decisions reached, with foundation, in respect of (i) referring or declining any New Business Opportunity (ii) exercising the Options or the Right of First Refusal to pursue any project of bus body manufacturing, bus assembling and any related business and other matters received by our independent non-executive Directors in our annual reports or by way of announcements;
- (f) Pursuant to the Corporate Governance Code in accordance with Appendix 14 to the Listing Rules, our Directors including the independent non-executive Directors, will be able to obtain independent professional advice from external parties in suitable circumstances at our Group's cost;
- (g) Any transaction between (or proposed to be made between) our Group and the connected persons will be subject to the requirements under Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting, annual review, circular (including independent financial advice) and independent Shareholders' approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with relevant requirements under the Listing Rules.

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## **RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS**

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- (h) Our Group has appointed Alliance Capital Partners Limited as our compliance advisor, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to Directors' duties and corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders and/ or Directors to protect the minority Shareholders' rights after Listing.

### **INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS**

Our Board is of the view that we are independent of, and do not place undue reliance on our Controlling Shareholders for the following reasons:

#### **Management Independence**

Our management and operational decisions are made by our Board and our senior management. Our Board includes three executive Directors and four independent non-executive Directors. Our Directors do not foresee any issue which may affect our management independence for the following reasons:-

- (a) Our Company maintains an independent Board to oversee our Group's business. Our Board is responsible for contemplating and approving business plans and strategies of the Group, monitoring the implementation of business plans and strategies and supervising the management of our Group;
- (b) Our Board embraces a balanced composition of independent non-executive Directors who have adequate character, integrity and ability for their views to carry weight, and therefore can effectually exercise their independent judgment and give impartial views in the decision-making process of our Board to safeguard the interests of our Shareholders. All of our independent non-executive Directors have extensive experience in their respective professions. Our Directors have confidence in that the presence of Directors from different backgrounds provides a balance of opinions;

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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- (c) Each of our Directors is heedful of his fiduciary duties as a Director which requires, among other things, that he acts for the benefit and in the best interests of our Group and does not permit any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest, the interested Director(s) shall abstain from voting on the relevant resolutions in board meetings of our Group in relation to such transactions and shall not be counted in the quorum in accordance with the requirements of the Listing Rules; and
- (d) Our Group has an independent management team, which is led by a team of senior management with extensive experience and expertise in our business, to implement our Group's plans and strategies in the daily operations independently of our Controlling Shareholders. For details of our senior management, please see the section headed "Directors, senior management and staff" of this prospectus.

Having considered the above factors, our Directors are satisfied that they and the senior management members are capable to perform their roles in our Group independently, and our Directors consider that we are able to manage our business independently from our Controlling Shareholders and/or their respective associates following completion of the Global Offering.

### **Operational Independence**

Our Directors are of the view that we will be capable of operating independently from the Controlling Shareholders:

- (a) Our Group has established our own organisation structure, and each department is assigned to specific areas of responsibilities. We do not rely on our Controlling Shareholders or their associates for our operations. We have independent access to our suppliers and customers and an independent management team to handle our daily operations and we have sufficient operational capacity in terms of capital and employees operate independently. We have also established a set of internal control to facilitate the effective operation of our business.
- (b) Although we have entered into certain transactions which will constitute continuing connected transactions upon Listing, such transactions have been entered into and will continue to be entered into on normal commercial terms and in the ordinary course of business of our Company. Please refer to the section headed "Continuing connected transactions" of this prospectus for details of the connected transactions that will continue upon Listing.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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Based on the foregoing, our Directors contemplate that we do not rely on our Controlling Shareholders for our business operations.

### **Financial Independence**

Our Board believes that we are able to operate financially independently from our Controlling Shareholders on the grounds that:

- (a) all loans, advances and balances due to and from our Controlling Shareholders will be fully settled upon Listing and that all guarantees provided by our Controlling Shareholders on our Group's borrowing will be fully released upon Listing;
- (b) we have our own accounting and financial department and independent financial system and make our financial decisions independently according to our business and operation needs;
- (c) our finance operations are handled by our finance department, which operates independently from our Controlling Shareholders and does not share any other functions or resources with our Controlling Shareholders;
- (d) we have our own treasury function and we have independent access to third party financing on market terms and conditions for our business operations as and when required; and
- (e) we have independent bank accounts and do not share any of our banks accounts, loan facilities or credit facilities with our Controlling Shareholders.

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## CONTINUING CONNECTED TRANSACTIONS

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### EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into a continuing transaction with a party who is our connected person. Such transaction will continue following the Listing Date and thereby constitute a continuing connected transaction of our Group under Chapter 14A of the Listing Rules. Set out below is a summary of such continuing connected transaction which is fully exempt from the relevant reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### *Background and principal terms*

On 21 October 2016, Gemilang Coachwork and P&P Excel Tech Engineering entered into a service agreement (the "P&P Excel Tech Service Agreement") pursuant to which Gemilang Coachwork agreed to engage P&P Excel Tech Engineering to install air-conditioning system in Gemilang Coachwork's buses. The P&P Excel Tech Service Agreement was made in the ordinary and usual course of our business in which we need to engage other contractors to provide air-conditioning installation service in our buses. Under the P&P Excel Tech Service Agreement, the consideration, which is payable by us in a fixed amount for each order, was determined based on the estimate of market rate for comparable business as to installation of vehicular air-conditioning system. Before our Group engaged P&P Excel Tech Engineering to provide such service of air-conditioning installation, our Group had obtained quotations for the same or similar service that may be available from at least two independent service providers as to vehicular air-conditioning installation in order to determine whether viable alternatives of comparable quality can be obtained in a timely and at the most competitive price.

P&P Excel Tech Engineering is a limited company incorporated in Malaysia in August 2014, whose business is to deal, repair, service and install all kind of air-conditioners and spare parts for motor vehicles. The issued share capital of P&P Excel is legally and beneficially owned by Mr. Pang Siew Way as to 50% and by Mr. Pang Siew Siam as to another 50%. As both Mr. Pang Siew Way and Mr. Pang Siew Siam are younger brothers of Mr. CY Pang, our Controlling Shareholder and executive Director, they are connected persons under Rule 14A.12(2)(a) of the Listing Rules. As P&P Excel Tech Engineering is a majority-controlled company (as defined under the Listing Rules) of Mr. Pang Siew Way and Mr. Pang Siew Siam, it is also a connected person under Rule 14A.12(2)(b) of the Listing Rules. Accordingly, the transactions contemplated under the P&P Excel Tech Service Agreement has constituted continuing connected transaction entered into by us under the Listing Rules.

#### *Proposed annual caps and basis of determination*

We have started placing orders in respect of installation of vehicular air-conditioning to P&P Excel Tech Engineering since 2016.



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## CONTINUING CONNECTED TRANSACTIONS

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The maximum amount of consideration payable by our Group to P&P Excel Tech Engineering under the P&P Excel Tech Service Agreement for each of the three years ending 31 October 2016, 2017 and 2018 shall not exceed the caps set out below:

<b>Proposed annual cap</b>		
<b>For the year ended 31 October</b>		
<b>2016</b>	<b>2017</b>	<b>2018</b>
HK\$3,000,000	HK\$3,000,000	HK\$3,000,000

The proposed annual caps with respect to the transactions under the P&P Excel Tech Service Agreement are stipulated as approximately HK\$3,000,000, HK\$3,000,000 and HK\$3,000,000 for each of the years ending 31 October 2016, 2017 and 2018 respectively in the P&P Excel Tech Service Agreement. Our Directors consider that the proposed annual caps of the P&P Excel Tech Service Agreement are fair and reasonable and in the interest of our Company and our Shareholders as a whole. In determining the proposed annual caps, we consider the expected number of buses to be assembled by us for each of the years ending 31 October 2016, 2017 and 2018 and the production capacity of P&P Excel Tech Engineering in terms of its size and manpower as well.

### *Implications under the Listing Rules*

Since each of the percentage ratios (other than the profit ratios) for the transactions contemplated under the P&P Excel Tech Service Agreement is less than 5% on an annual basis and each of the annual cap is less than HK\$3,000,000.00, the transactions under the P&P Excel Tech Service Agreement are exempt from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements applicable under Chapter 14A of the Listing Rules as it falls within the *de minimis* threshold under Rule 14A.76(1) of the Listing Rules.

### **CONFIRMATION FROM OUR DIRECTORS**

Our Directors (including our independent non-executive Directors) confirm that the P&P Excel Tech Service Agreement has been entered into in the ordinary and usual course of business of our Group on normal commercial terms, and the terms of the P&P Excel Tech Service Agreement are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

# DIRECTORS, SENIOR MANAGEMENT AND STAFF

## BOARD OF DIRECTORS

Our Board currently consists of seven Directors, including three executive Directors and four independent non-executive Directors. Our Board is responsible for and has general powers over the management and conduct of our business. We have entered into a service contract with each of our executive Directors. We have also entered into a letter of appointment with each of our independent non-executive Directors.

The table below shows certain information with respect to our Directors and senior management:

### Executive Directors

Name	Age	Date of joining our Group	Date of appointment as Directors	Existing position(s) in our Group	Roles and responsibilities	Relationship with other Directors or senior management
Mr. SW Phang	67	23 September 1989	21 June 2016	Co-founder, chairman of the Board and executive Director	Overall strategic planning and overall management of our Group	Father of Ms. Shyan Phang and Mr. Peter Phang; cousin of Mr. CY Pang; and uncle of Mr. Pang Ser Hong
Mr. CY Pang	57	23 September 1989	21 June 2016	Co-founder, chief executive officer and executive Director	Formulating overall corporate strategies and policies of our Group, responsible for general management and day-to-day operation of our Group	Cousin of Mr. SW Phang; uncle of Ms. Shyan Phang, Mr. Peter Phang and Mr. Pang Ser Hong
Ms. Shyan Phang	33	1 August 2014	21 June 2016	Chief corporate officer and executive Director	Responsible for overall management of our business operation as well as project management and supervision	Daughter of Mr. SW Phang; sister of Mr. Peter Phang; niece of Mr. CY Pang; and cousin of Mr. Pang Ser Hong

# DIRECTORS, SENIOR MANAGEMENT AND STAFF

## Independent Non-executive Directors

Name	Age	Date of joining our Group	Date of appointment as Directors	Existing position(s) in our Group	Roles and responsibilities	Relationship with other Directors or senior management
Ms. Lee Kit Ying (李潔英)	68	21 October 2016	21 October 2016	Independent non-executive Director	Supervising and providing independent judgment to our Board	Nil
Ms. Wong Hiu Ping (黃曉萍)	45	21 October 2016	21 October 2016	Independent non-executive Director	Supervising and providing independent judgment to our Board	Nil
Ms. Kwok Yuen Shan Rosetta (郭婉珊)	39	21 October 2016	21 October 2016	Independent non-executive Director	Supervising and providing independent judgment to our Board	Nil
Mr. Huan Yean San	40	21 October 2016	21 October 2016	Independent non-executive Director	Supervising and providing independent judgment to our Board	Nil

## Senior Management

Name	Age	Date of joining our Group	Position	Roles and responsibilities	Relationship with other Directors or senior management
Mr. Peter Phang (彭志祥)	38	4 April 2016	General manager	Responsible for production, warehousing and general business operation of our Group	Son of Mr. SW Phang; brother of Ms. Shyan Phang; nephew of Mr. CY Pang; and cousin of Mr. Pang Ser Hong
Mr. Lee Kon San (李根產)	56	1 April 1997	Logistics manager	Overseeing ongoing project functional business operations including logistics	Nil

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

Name	Age	Date of joining our Group	Position	Roles and responsibilities	Relationship with other Directors or senior management
Mr. Pang Ser Hong (彭士鴻)	34	24 September 2007	Project manager	Formulating overall strategies and policies in relation to the project functional operation and responsible for managing projects	Nephew of Mr. SW Phang and Mr. CY Pang; cousin of Ms. Shyan Phang and Mr. Peter Phang
Mr. Yeung Chin Wai (楊展璋)	30	28 March 2016	Financial controller and company secretary	Overseeing our financial reporting, financial planning and financial control and company secretarial matters	Nil

### EXECUTIVE DIRECTORS

**Mr. Phang Sun Wah (彭新華)**, aged 67, is our chairman and has been the executive Director since 21 June 2016. He is the co-founder of our Group and has served as a director of Gemilang Coachwork since its incorporation. Mr. SW Phang is also currently the director of Gemilang BVI. He is primarily responsible for overall strategic planning and overall management of our Group. Mr. SW Phang has over 40 years of experience in the areas of assembly of wooden and steel buses and coaches. From 1965 to 1970, Mr. SW Phang was a general worker of Soon Heng Lorry Body Work and was responsible for manufacturing lorry bodies. From 1970 to 1988, he was a partner to Sun Soon Heng Coachwork, which engaged in fabrication of coachwork.

Mr. SW Phang is the father of Ms. Shyan Phang and Mr. Peter Phang. He is also the cousin of Mr. CY Pang; and the uncle of Mr. Pang Ser Hong. Other than disclosed in this prospectus, Mr. SW Phang is not connected with any other Directors or members of the senior management.

Mr. SW Phang has not held any directorship in any other public companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years immediately preceding the date of this prospectus.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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**Mr. Pang Chong Yong (彭中庸)**, aged 57, is our executive Director since 21 June 2016. Mr. CY Pang is the co-founder of our Group and has served as a managing director of Gemilang Coachwork since its incorporation. He is primarily responsible for formulating overall corporate strategies and policies of our Group, general management and day-to-day operation of our Group. Prior to the founding of Gemilang Coachwork, Mr. CY Pang had over 10 years in the installation of cars accessories and provision of after-sales services. From 1975 to 1983, he worked as an air-conditioning technician. From 1983 to 1989, Mr. CY Pang was a partner to Hotoh Bus & Car Air Conditioning, which engaged in installation of car accessories and provision of after-sales services.

Mr. CY Pang is the cousin of Mr. SW Phang. He is also the uncle of Ms. Shyan Phang, Mr. Peter Phang and Mr. Pang Ser Hong. Other than disclosed in this prospectus, Mr. CY Pang is not connected with any other Directors or members of the senior management of our Company.

Mr. CY Pang has not held any directorship in any other public companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years immediately preceding the date of this document.

**Ms. Phang Huey Shyan (彭慧嫻)**, aged 33, worked for Gemilang Coachwork as the head of corporate since August 2014 and was appointed as our executive Director on 21 June 2016 and has been promoted as our chief corporate officer. Ms. Shyan Phang is primarily responsible for overall management of our business operation as well as project management and supervision and has been the director of Gemilang Singapore since 7 April 2014. She has approximately six years of experience in accounting and financing. Prior to joining our Group, from January 2007 to April 2008, Ms. Shyan Phang worked for Guthrie GTS Limited, an accountant mainly responsible for group accounting and consolidation. During the period of September 2008 to April 2010, she was a reporting accountant focusing on the group accounting and reporting at Amcor Limited, a packaging company. From June 2010 to April 2011, she worked for Amcor Singapore Private Ltd, a packaging company, as a financial analyst; and from March 2012 to July 2014, she worked as a finance manager of Singapore Telecommunications Limited, a telecommunications company where she was primarily responsible for business partnering and entity reporting.

Ms. Shyan Phang graduated from the Deakin University, Australia, with a Bachelor of Commerce majoring in Accounting and Finance in October 2005.

Ms. Shyan Phang is the daughter of Mr. SW Phang and sister of Mr. Peter Phang. She is the niece of Mr. CY Pang; and cousin of Mr. Pang Ser Hong. Other than disclosed in this prospectus, Ms. Shyan Phang is not connected with any other Directors or members of the senior management of our Company.

Ms. Shyan Phang has not held any directorship in any other public companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years immediately preceding the date of this document.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### INDEPENDENT NON-EXECUTIVE DIRECTOR

**Ms. Lee Kit Ying (李潔英)**, aged 68, was appointed as an independent non-executive Director on 21 October 2016. She is mainly responsible for supervising and providing independent judgment to our Board. Ms. Lee has about 20 years of experience in the securities and derivatives industry holding various senior positions, including about 10 years in the Compliance, Operation and Administration Divisions of Hong Kong Futures Exchange Limited, five years in Traded Options Divisions in the Stock Exchange and three years in the Listing, Regulation and Risk Management Unit of Hong Kong Stock Exchange and Clearings Limited. In September 2005, she retired as the chief financial officer of the Hong Kong Exchanges and Clearing Limited Group. Ms. Lee has also been an associate member of the Hong Kong Institute of Certified Public Accountants (previously known as Hong Kong Society of Accountants) since March 1984 and has been a fellow of the Institute of Chartered Accountants in England and Wales since October 1999.

Ms. Lee has been an independent non-executive director of China BlueChemical Ltd. (Stock Code: 3983) since June 2012, the shares of which are listed on the Main Board of the Stock Exchange and has been an independent non-executive director of Century Global Commodities Corporation (Symbol: CNT) since September 2014, the shares of which are listed on the Toronto Stock Exchange, Canada. In addition, she was an independent non-executive director of Tianjin Capital Environmental Protection Group Company Limited (Stock Code: 1065) from December 2009 to December 2015, the shares of which are listed on the Main Board of the Stock Exchange and Shanghai Stock Exchange and was a supervisor of Central China Securities Co., Ltd. (Stock Code: 1375) from October 2015 to May 2016, the shares of which are listed on the Main Board of the Stock Exchange.

Ms. Lee obtained the degree of Bachelor of Arts in Accountancy from London Metropolitan University (previously known as City of London Polytechnic, United Kingdom) in July 1979 and the degree of Master of Science in Financial Engineering from City University of Hong Kong in November 1998.

Ms. Lee is not connected with any other Directors, members of the senior management, substantial shareholders or Controlling Shareholders.

Save as disclosed above, Ms. Lee has not held any directorship in any other public companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years immediately preceding the date of this prospectus.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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**Ms. Wong Hiu Ping (黃曉萍)**, aged 45, was appointed as an independent non-executive Director on 21 October 2016. She is mainly responsible for supervising and providing independent judgment to our Board. She has approximately 20 years of experience in financial accounting. Since June 2014, Ms. Wong has been working at Pico Denshi (H.K.) Ltd., a company in the field of electronics, and as a regional head of finance mainly responsible for overseeing accounting and financial activities. From January 2011 to June 2013, Ms. Wong worked at Synthes (Hong Kong) Ltd, a medical device provider, as a finance controller mainly responsible for overseeing the Hong Kong finance department. From February 2010 to January 2011, Ms. Wong was the finance manager of Korn/Ferry International (H.K.) Ltd., an executive recruiting and search firm. From November 2007 to December 2009, Ms. Wong was the assistant finance manager of Pricoa Relocation Hong Kong Ltd, a firm principally engaged in the provision of relocation services, mainly responsible for overseeing finance department. From September 2001 to March 2007, Ms. Wong worked as an assistant accounting manager mainly responsible for overseeing finance department in Dun & Bradstreet (HK) Ltd.

Ms. Wong graduated from Iowa State University of Science and Technology with a Bachelor degree in Science in August 1995 and subsequently graduated from Curtin University of Technology in Perth, Australia with a Master degree in Accounting in April 2007. She is also an associate member of CPA Australia.

Ms. Wong is not connected with any other Directors, members of the senior management, substantial shareholders or Controlling Shareholders.

Ms. Wong has not held any directorship in any other public companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years immediately preceding the date of this document.

**Ms. Kwok Yuen Shan Rosetta (郭婉珊)**, aged 39, was appointed as an independent non-executive Director on 21 October 2016. She is mainly responsible for supervising and providing independent judgment to our Board. Ms. Kwok was qualified as a solicitor in Hong Kong in August 2009 and held the position of assistant solicitor in Jesse H.Y. Kwok & Co. since October 2009. Prior to that, she was a trainee solicitor from July 2007 to July 2009 and was a paralegal from July 2004 to June 2007 in the same firm.

Ms. Kwok graduated from California State University, East Bay (previously known as California State University, Hayward) in the United States, with a Bachelor degree in Computer Science and Mathematics in 2002. She subsequently obtained her Juris Doctor degree and the Postgraduate Certificate in Laws from the City University of Hong Kong in 2006 and 2007, respectively.

Ms. Kwok is not connected with any other Directors, members of the senior management, substantial shareholders or Controlling Shareholders.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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Ms. Kwok has not held any directorship in any other public companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years immediately preceding the date of this prospectus.

**Mr. Huan Yean San**, aged 40, was appointed as the independent non-executive Director on 21 October 2016. He is mainly responsible for supervising and providing independent judgment to our Board. He has over 15 years of experience in the fields of corporate taxation, auditing services and the financial management reporting affairs. He joined Foo, Lee An & Associates, a chartered accounting firm in Malaysia, as an audit assistant in 1999. At that time, he was responsible for managing audit start up works and verifying supporting documents. From 2002 to 2006, he worked at Foo, Lee An & Associates as a tax senior responsible for advising clients in payment of several taxes such as income tax and property tax. From 2006 onward, Mr. Huan has been serving as a tax manager in this firm currently responsible for managing and developing relationship with clients.

Mr. Huan Yean San graduated from University of Western Australia with a Bachelor of Commerce (Minor in Business Law) in 1999. He has also been an associate member of CPA Australia and Malaysian Institute of Accountants and Chartered Tax Institute of Malaysia since 2003 and 2004 respectively.

Mr. Huan is not connected with any other Directors, members of the senior management substantial shareholders or Controlling Shareholders.

Mr. Huan has not held any directorship in any other public companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years immediately preceding the date of this document.

Saved as disclosed in this prospectus, each of Ms. Lee Kit Ying, Ms. Wong Hiu Ping, Ms. Kwok Yuen Shan Rosetta and Mr. Huan Yean San has confirmed that he/she has no interest in the Shares within the meaning of Part XV of the SFO.

### SENIOR MANAGEMENT

**Mr. Phang Jyh Siong (彭志祥)**, aged 38, joined our Group in April 2016 and is the general manager of our Company. He is mainly responsible for production, warehousing and general business operation of our Group. Prior to joining our Group, Mr. Peter Phang worked as a key account manager at Scania CV AB, a company engaged in manufacturing commercial vehicles from April 2014 to March 2016. He worked at Gemilang Coachwork as a sales engineer in 2005, a project manager in 2007 and a director from 2009 to 2014. From October 2004 to May 2005, he was the co-founder of Baracorp Technologies Pte Ltd. During the period from September 2001 to April 2004, he worked as a laboratory officer in National University of Singapore.



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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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Mr. Peter Phang graduated from National University of Singapore with a Bachelor degree in Engineering (Mechanical) in July 2001.

Mr. Peter Phang is the son of Mr. SW Phang; brother of Ms. Shyan Phang; nephew of Mr. CY Pang; and cousin of Mr. Pang Ser Hong. Other than disclosed in this document, Mr. Peter Phang is not connected with any other Directors, members of the senior management, substantial shareholders or Controlling Shareholders.

Mr. Peter Phang has not held any directorship in any other public companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years immediately preceding the date of this prospectus.

**Mr. Lee Kon San**, aged 56, is our logistics manager and is mainly responsible for overseeing logistics arrangements for our Group. Mr. Lee joined our Group as a logistics manager in Gemilang Coachwork in May 1996. Mr. Lee has over 19 years of experience in the field of importing and exporting products in our Group. From July 1986 to April 1996, Mr. Lee worked as a marketing executive at Overseas Engineering Corp Sdn. Bhd. in Malaysia.

Mr. Lee obtained a Bachelor degree in Administration from University of Ottawa, Canada, in May 1984 and subsequently obtained a Bachelor degree in Commerce (Marketing) from University of Ottawa, Canada, in October 1985.

Mr. Lee is not connected with any other Directors, members of the senior management, substantial shareholders or Controlling Shareholders.

Mr. Lee has not held any directorship in any other public companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years immediately preceding the date of this prospectus.

**Mr. Pang Ser Hong (彭士鴻)**, aged 34, is our project manager and is mainly responsible for formulating overall strategies and policies in relation to the project functional operation and responsible for managing projects. Mr. Pang Ser Hong joined our Group as a project manager in April 2007. From December 2000 to July 2001, Mr. Pang Ser Hong worked at Zamani Sdn. Bhd., a construction company, as a quantity surveyor. He was mainly responsible for tender calculation. From 2004 to 2007, he worked at TCP Consulting Pte Ltd. as a project manager.

Mr. Pang Ser Hong graduated from Nanyang Polytechnic in Singapore with a diploma in Electronics, Computer & Communications Engineering in May 2004.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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Mr. Pang Ser Hong is the nephew of both Mr. SW Phang and Mr. CY Pang; and is the cousin of both Ms. Shyan Phang and Mr. Peter Phang. Other than disclosed in this prospectus, Mr. Pang Ser Hong is not connected with any other Directors or members of the senior management.

Mr. Pang Ser Hong has not held any directorship in any other public companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years immediately preceding the date of this prospectus.

None of our Directors and senior management has been involved in any of the events described under Rule 13.51(2)(h) to (v) of the Listing Rules.

### COMPANY SECRETARY

**Mr. Yeung Chin Wai (楊展璋)**, aged 30, joined our Group as a financial controller on 28 March 2016 and is mainly responsible for overseeing the accounting and finance function of the Group. Subsequently, on 18 July 2016, Mr. Yeung was also appointed as our company secretary and is responsible for our secretarial affairs. Prior to joining the Group, he assumed various positions in Deloitte Touche Tohmatsu, Hong Kong which provides audit, consulting, financial advisory, risk management and tax services, including acting as a manager from October 2014 to March 2016, a senior from October 2010 to September 2014 (during the period from September 2012 to March 2014, Mr. Yeung worked as a senior in Deloitte & Touche LLP in the United States) and an associate from January 2009 to September 2010. He was mainly responsible for providing audit services for Hong Kong and overseas clients when he held these positions.

Mr. Yeung received a Bachelor of Business Administration (Professional Accountancy) from the Chinese University of Hong Kong in December 2009. He has been a member of the Hong Kong Institute of Certified Public Accountants since February 2012.

Mr. Yeung has not held any directorship in any other public companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years immediately preceding the date of this prospectus.

### BOARD COMMITTEES

We have established the following committees under the Board: an audit committee, a remuneration committee and a nomination committee. The committees operate in accordance with the terms of reference established by the Board.

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## **DIRECTORS, SENIOR MANAGEMENT AND STAFF**

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### **Audit Committee**

Our Company established an audit committee in accordance with Rule 3.21 of the Listing Rules pursuant to a resolution of our Directors passed on 21 October 2016 with written terms of reference in compliance with paragraph C3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Our audit committee consists of three independent non-executive Directors, being Ms. Wong Hiu Ping, Mr. Huan Yean San and Ms. Kwok Yuen Shan Rosetta. Mr. Huan Yean San has been appointed as the chairman of the audit committee, and is our independent non-executive Director with the appropriate professional qualifications. The primary duties of the audit committee are, among other things, to review and supervise the financial reporting process and internal control system and risk management of our Group, oversee the audit process and to make recommendations to the Board on the appointment, reappointment and removal of external auditors and assess their independence and qualifications.

### **Nomination Committee**

Our Company established a nomination committee pursuant to a resolution of our Directors passed on 21 October 2016 with written terms of reference in compliance with paragraph A5 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Our nomination committee consists of two independent non-executive Directors, being Ms. Wong Hiu Ping and Ms. Kwok Yuen Shan Rosetta, and one executive Director, being Mr. SW Phang. Mr. SW Phang has been appointed as the chairman of the nomination committee. The primary duties of nomination committee are, among other things, to make recommendation to our Board on the appointment and removal of Directors of our company, to evaluate the structure and composition of the Board and to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually.

### **Remuneration Committee**

Our Company established a remuneration committee in accordance with Rule 3.25 of the Listing Rules pursuant to a resolution of our Directors passed on 21 October 2016 with written terms of reference in compliance with paragraph B1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Our remuneration committee consists of two independent non-executive Directors, being Ms. Kwok Yuen Shan Rosetta and Ms. Wong Hiu Ping, and one executive Director, being Mr. CY Pang. Ms. Kwok Yuen Shan Rosetta has been appointed as the chairman of the remuneration committee. The primary duties of the remuneration committee are, among other things, to establish and review the remuneration policy and structure of the Directors and senior management and to review and to ensure that none of our Directors determines his/her own remuneration.

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## **DIRECTORS, SENIOR MANAGEMENT AND STAFF**

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### **REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT**

Our Directors and senior management receive compensation in the forms of salaries, benefits in kind and discretionary bonuses with reference to salaries paid by comparable companies, time commitment and the performance of our Group. Our Group also reimburses them for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group.

The aggregate amount of remuneration which was paid to our Directors for each of the three years ended 31 October 2015 and the six months ended 30 April 2016 were approximately US\$0.29 million, US\$0.34 million, US\$0.48 million and US\$0.29 million, respectively.

The aggregate amount of remuneration which was paid by our Group to our five highest paid individuals for each of the three years ended 31 October 2015 and the six months ended 30 April 2016 were approximately US\$0.42 million, US\$0.42 million, US\$0.57 million and US\$0.33 million, respectively.

After the Listing, our Directors and senior management may also receive options to be granted under the Share Option Scheme.

We did not pay any remuneration to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as compensation for loss of office in respect of the Track Record Period. Further, none of our Directors have waived any remuneration during the same period.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management which, following the Listing, will receive recommendation from the remuneration committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

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

Our Directors recognise the importance of good corporate governance in management and internal procedures to promote and ensure accountability. Our Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules. Our Company's corporate governance practices have complied with and we will continue to comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

### **MANAGEMENT PRESENCE**

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules in relation to sufficient management presence in Hong Kong. For details of the waiver, please see the section headed "Waiver from strict compliance with the Listing Rules — Waiver in relation to management presence in Hong Kong" of this prospectus.

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## **DIRECTORS, SENIOR MANAGEMENT AND STAFF**

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### **COMPLIANCE ADVISOR**

We have appointed Alliance Capital Partners Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the Group's business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares of our company.

The term of appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

### **EMPLOYEE INCENTIVE SCHEME**

Our Company has adopted the Share Option Scheme. The purpose of the Share Option Scheme is to reward the participants defined under the Share Option Scheme for their past contribution to the success of our Group and to provide incentives to them to further contribute to our Group. For details, please refer to the section headed "Statutory and general information — Share Option Scheme" in Appendix VI to this prospectus.

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## SHARE CAPITAL

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### SHARE CAPITAL

Our Company's authorised and issued share capital is as follows:

<i>Authorised share capital</i>		<i>HK\$</i>
<u>2,000,000,000</u>	Shares of HK\$0.01 each	<u>20,000,000</u>

*Issued and to be issued, fully paid or credited as fully paid upon the completion of the Global Offering*

*(assuming the Offer Size Adjustment Option is not exercised):*

	<i>Number of Shares</i>	<i>HK\$</i>
Shares in issue as of the date of this prospectus	187,500,000	1,875,000
Shares to be issued under the Global Offering	62,500,000	625,000
<b>Shares in total</b>	<b>250,000,000</b>	<b>2,500,000</b>

*Issued and to be issued, fully paid or credited as fully paid upon the completion of the Global Offering*

*(assuming the Offer Size Adjustment Option is exercised in full):*

	<i>Number of Shares</i>	<i>HK\$</i>
Shares in issue as of the date of this prospectus	187,500,000	1,875,000
Shares to be issued under the Global Offering	62,500,000	625,000
Shares to be issued pursuant to the Offer Size Adjustment Option	9,375,000	93,750
<b>Shares in total</b>	<b>259,375,000</b>	<b>2,593,750</b>

### ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional.

The above table takes no account of (a) Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or (b) any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate given to the Directors to allot and issue or repurchase Shares as described below.

### RANKINGS

The Offer Shares and the Shares that may be issued pursuant to exercise of the Offer Size Adjustment Option will rank *pari passu* in all respects with all other existing Shares in issue as mentioned in this prospectus, and in particular, will be entitled to all dividends and other distributions hereafter declared, paid or made on the Shares after the date of this prospectus.

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## SHARE CAPITAL

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### SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 21 October 2016. Under the Share Option Scheme, the eligible participants of the scheme, including directors, employees (whether full-time or part-time) of any member of and any advisers and consultants (in the areas of legal, technical, financial or corporate management) to our Group or our subsidiaries may be granted options which entitle them to subscribe for Shares, when aggregated with options granted under any other scheme, representing initially not more than 10% of the Shares in issue on the Listing Date. Summaries of the principal terms of the Share Option Scheme is set out in the section headed “Statutory and general information — Share Option Scheme” in Appendix VI in this prospectus.

### GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with a total nominal value of not more than the sum of:

- (1) 20% of the total nominal amount of the share capital of our Company in issue immediately following the completion of the Global Offering (excluding Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme); and
- (2) the total nominal amount of share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to our Shares which they are authorised to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement, or on the exercise of any option which may be granted under the Share Option Scheme.

This general mandate to issue Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company’s next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or its Articles of Association to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in a general meeting.

Further information on this general mandate is set out in the section headed “Statutory and general information — Further information about the Company and our subsidiaries — Written resolutions of shareholders” in Appendix VI to this prospectus.

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## SHARE CAPITAL

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### GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with a total nominal amount of not more than 10% of the total nominal amount of the share capital of our Company in issue immediately following the completion of the Global Offering (excluding Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange or any other stock exchange on which our Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and General Information — Further information about our Group — Repurchase of our Shares and restrictions on Share repurchases” in Appendix VI to this prospectus.

This general mandate to repurchase Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company’s next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or its Articles of Association to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in a general meeting.

Further information on this general mandate is set out in the section headed “Statutory and general information — Further information about the Company and our subsidiaries — Written resolutions of shareholders” in Appendix VI to this prospectus.

### CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks *pari passu* with the other shares.

Pursuant to the Companies Law and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary resolution of Shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Companies Law, reduce its share capital or capital redemption reserve by its Shareholders passing special resolution. For further details, please refer to the section headed “Summary of the constitution of our Company and Cayman company law” in Appendix V to this prospectus.



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## SHARE CAPITAL

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Pursuant to the Companies Law and the terms of the Memorandum and the Articles, all or any of the special rights attached to our Shares or any class of our Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of our Shares of that class. For further details, please refer to the section headed “Summary of the constitution of our Company and Cayman company law” in Appendix V to this prospectus.

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Global Offering (assuming that the Offer Size Adjustment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of options to be granted under the Share Option Scheme), the following persons will have an interest or short position in our Shares and the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

<u>Name of Shareholders</u>	<u>Nature of interest</u>	<u>Number of Shares held immediately after completion of the Global Offering<sup>(1)</sup></u>	<u>Percentage of interests in our Company immediately after completion of the Global Offering</u>
Sun Wah	Beneficial owner	82,078,125(L)	32.83%
Mr. SW Phang	Interest in a controlled corporation <sup>(2)</sup> Interest held jointly with Mr. CY Pang <sup>(4)</sup>	164,156,250(L)	65.66%
Ms. Chew	Interest of spouse <sup>(5)</sup>	164,156,250(L)	65.66%
Golden Castle	Beneficial owner	82,078,125(L)	32.83%
Mr. CY Pang	Interest in a controlled corporation <sup>(3)</sup> Interest held jointly with Mr. SW Phang <sup>(4)</sup>	164,156,250(L)	65.66%
Ms. Low Poh Teng	Interest of spouse <sup>(6)</sup>	164,156,250(L)	65.66%

*Notes:*

- (1) The letter “L” denotes a person’s “long position” (as defined under Part XV of the SFO) in such Shares.
- (2) Mr. SW Phang beneficially owns 100% of the share capital of Sun Wah. By virtue of the SFO, Mr. SW Phang is deemed to be interested in 82,078,125 Shares held by Sun Wah, representing 32.83% of the entire issued share capital of the Company.
- (3) Mr. CY Pang beneficially owns 100% of the share capital of Golden Castle. By virtue of the SFO, Mr. CY Pang is deemed to be interested in 82,078,125 Shares held by Golden Castle representing 32.83% of the entire issued share capital of the Company.

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## SUBSTANTIAL SHAREHOLDERS

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- (4) Pursuant to the Concert Party Deed, Mr. SW Phang and Mr. CY Pang are parties acting in concert (having the meaning ascribed to it under the Takeovers Code). As such, immediately after completion of the Global Offering (without taking into account any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), Mr. SW Phang and Mr. CY Pang will together control 65.66% of the entire issued share capital of our Company.
- (5) Ms. Chew is the spouse of Mr. SW Phang. Therefore, Ms. Chew is deemed to be interested in the Shares in which Mr. SW Phang is interested.
- (6) Ms. Low Poh Teng is the spouse of Mr. CY Pang. Therefore, Ms. Low is deemed to be interested in the Shares in which Mr. CY Pang is interested.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Global Offering (assuming that the Offer Size Adjustment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of options to be granted under the Share Option Scheme), have an interest or short position in our Shares and the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

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## FINANCIAL INFORMATION

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*You should read the following discussion and analysis of our Group's financial condition and results of operations together with our combined financial information at and for the three years ended 31 October 2015 and the six months ended 30 April 2016 and the accompanying notes included in the Accountants' Report of the Group set out in Appendix IA to this prospectus. The Accountants' Report has been prepared in accordance with HKFRSs. Potential investors should read the whole of the Accountants' Report of the Group set out in Appendix IA to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk factors" of this prospectus.*

### OVERVIEW

We design and manufacture bus bodies and assemble buses and have over 25 years of track record in the industry. Our buses, comprising city buses and coaches, mainly serve public and private bus transportation operators in markets including Singapore, Malaysia, Australia, Hong Kong, the PRC and India. Our manufacturing facility is located in Johor, where we produce aluminium and steel buses (CBUs) and bus bodies (SKDs and CKDs).

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) which we assemble onto chassis for direct delivery. During our production process, we do not manufacture all the components of the entire bus units at our facility but we would build on the chassis produced by our chassis principals and other components sourced from other suppliers. We work closely with chassis principals and/or directly with bus transportation operators to provide customised solutions to suit their specific needs. Our chassis principals include MAN, Mercedes-Benz, Scania and Volvo, and the majority of these chassis principals have had business relationships with us for over 10 years.

Our total revenue were approximately US\$32.37 million, US\$34.33 million, US\$41.07 million and US\$16.75 million for the years ended 31 October 2013, 2014 and 2015 and the six months ended 30 April 2016, respectively. Our gross profit were approximately US\$6.57 million, US\$7.01 million, US\$9.20 million and US\$4.13 million for the years ended 31 October 2013, 2014 and 2015 and the six months ended 30 April 2016, respectively. For the year ended 31 October 2015, 97.2% was derived from our six major markets, comprising our core markets, namely Singapore and Malaysia, and our developing markets including Australia, Hong Kong, the PRC and India. For details, please refer to the section headed "Business — Our principal business" of this prospectus.

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## FINANCIAL INFORMATION

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### FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations are subject to the influence of numerous factors, the principal of which are set out below:

- **timing of delivery of our products**

We normally schedule first batch of delivery for a particular project within five to nine months for new products and within one to five months for repeat orders after receipt of the relevant purchase orders. Our revenue is recognised upon delivery of goods and customers' acceptance. In the event that the project is delayed or our orders are mostly for new products which require additional time, our results of operations may be adversely and materially affected as those revenues will likely be booked in the next financial period or year, which are beyond our control. In addition, our revenue recognition is subject to the timing of placing of orders by our customers as well as ratio of new orders (requiring longer preparation time) versus existing orders (requiring less production time) which are also beyond our control and may fluctuate from period to period.

- **availability of bus transportation operators' orders**

The end-users of our products are bus transportation operators. Our business performance is generally affected by the number and availability of the bus transportation operators' orders, which is in turn affected by various factors, including their budget and financial positions, their expectation of life expectancies of the existing fleets, viability of new routes, market conditions and changes in government policies. In the event that the demand of buses and bus bodies decreases as a result of the decrease in the number of bus operators' orders which is beyond our control, our business in general and our results of operations may be adversely and materially affected.

- **fluctuations in foreign currency exchange rates**

We sell our products both in Malaysia and to overseas. Our revenues from overseas sales, which accounted for 70.3%, 65.5%, 88.9% and 97.5%, respectively, of our total revenue for the years ended 31 October 2013, 2014 and 2015 and the six months ended 30 April 2016, were denominated in various foreign currencies such as Singapore dollars and US Dollars. We also purchased certain portion of our materials from overseas market in foreign currencies. In addition, the reporting currency for our Group is in US Dollars, while the functional currency of our major operating subsidiary is Malaysian Ringgit. Any significant movement of the foreign currencies against the Malaysian Ringgit may significantly affect the revenue recorded in the combined financial statements of our Group.

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## FINANCIAL INFORMATION

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- **cost and availability of raw materials**

Cost of materials accounts for a significant portion of our cost of sales. Our cost of materials accounted for 81.5%, 80.8%, 84% and 74.1%, respectively, of our total cost of sales for the years ended 31 October 2013, 2014 and 2015 and the six months ended 30 April 2016. Fluctuations in the prices of our materials could significantly affect our gross profit margin if such fluctuations are not taken into account in the pricing of our products. As we do not have long-term supply contracts with our suppliers, we were not able to substantially lock the unit cost of our materials. It is our practice to price our products whereby the fluctuation in cost of materials is generally passed on to our customers. However, as there is lag time between pricing of our products and our actual purchase of materials for production, there is no guarantee that our purchase price will not be significantly higher than the price we used at quotation stage. In such event, we could not pass on such cost difference to the customers. In addition, we have not entered into any hedging transactions and have not adopted any hedging policies to reduce our exposure to fluctuations in prices of raw materials. As a result, we may be exposed to fluctuations in materials prices.

In addition, the availability of our materials also has a significant impact on our business and results of operations. During the Track Record Period, we purchased our materials from a number of suppliers. Our actual production volume of bus and bus bodies depends on, to a certain extent, the availability, amount and price of our materials that our suppliers are able to supply. Any shortage or delay in the supply will have an adverse impact on our ability to meet our customers' orders in a timely manner and in turn, our results of operations.

- **competitiveness in product design and development**

The bus manufacturing industry has been subject to the rapid technological changes both in the chassis and body design due to competition and demand by the bus transportation operators. The technological changes, in particular chassis and engine development, have placed a great challenge on bus body manufacturers to update its production technology and manufacturing process in order to keep pace with the changes.

We understand that design and development of products are key to the success of our products and our business. We have made continual efforts in enhancing our product design and development capabilities to enable us to introduce or improve products that can well address evolving customers' needs.

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## FINANCIAL INFORMATION

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New services or technologies may render our existing products and services less competitive. If we fail to adapt to technological changes and evolving industry standards in an efficient and timely manner, we may not be able to continue to serve our customers' needs effectively, and our business, results of operations and financial condition may be materially and adversely affected.

In particular, the EcoRange System licensed to us is owned by Constellium and the Constellium Licence Agreement did not confer the right on us to modify the system. In the event that EcoRange System is no longer well accepted by the customers or there are other new technologies in the market for buses or bus bodies production, we may need to modify our business model by looking for another supplier or strategic partner which can supply aluminium bus body superstructure system that is acceptable to the market.

As a result of the above, our ability to offer competitive product design and technologies and compete effectively in the market will have a significant impact on our results of operations.

- **we do not have long-term supply contracts with our customers**

We are engaged by our customers on a project-by-project basis. As such, there is no guarantee that our customers will continue to engage us with the same volume of business, or at all, in the future. With our industry reputation, technical know-how and quality of our products, our Directors are optimistic that we will continue to be one of their preferred bus and bus body builders.

- **failure to complete projects according to our customer's specifications and local regulatory requirements**

We have to complete our projects and deliver our products in accordance with our customer's specifications and local regulatory requirements. If we fail to comply with any of these requirements, we may have to pay liquidated damages or incur additional time and costs for any remedial actions and our profits will be adversely affected. Also, our market reputation and relationship with our customers may be adversely affected. We will continue to give full effort in ensuring our current and future projects are completed in accordance with our customer's specifications and local regulatory requirements.

### **BASIS OF PREPARATION**

Pursuant to the Reorganisation, details of which are set out in the section headed "History, reorganisation and corporate structure" of this prospectus, the Company became the holding company of the companies now comprising the Group.

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## **FINANCIAL INFORMATION**

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All the companies now comprising the Group that took part in the Reorganisation were controlled by the same Controlling Shareholders before and after the Reorganisation. As the control is not transitory and consequently, there was a continuation of risks and benefits to the Controlling Shareholders and the Reorganisation is considered to be a restructuring of entities under common control. The financial information has been prepared using the merger basis of accounting as if the Group has always been in existence and the net assets of the companies now comprising the Group are combined using the existing book values from the Controlling Shareholders' perspective.

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

Our financial information has been prepared under the historical cost convention. Our financial information is presented in US Dollars, rounded to the nearest thousand, unless otherwise stated.

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Critical accounting policies and estimates are those accounting policies and estimates that involve significant judgments and uncertainties and actual results may differ materially under different assumptions and conditions. Note 3.1 and 3.2 of Section II of the Accountants' Report of the Group in Appendix IA of this prospectus sets forth certain significant accounting policies and judgments and estimates respectively. Our combined financial statements have been prepared in accordance with HKFRSs, which requires that we adopt accounting policies and make estimates that we believe are the most appropriate in the circumstances for the purposes of giving a true and fair view of our results of operations and financial position. Estimates and judgments are based on historical experience and other factors and are reviewed on an on-going basis taking into account of the changing conditions and circumstances.

The following is a summary of the accounting policies and estimates that we believe are important to the presentation of our financial results. For details, please refer to Notes 3.1 and 3.2 of Section II of the Accountants' Report of the Group in Appendix IA to this prospectus.

#### **Revenue recognition**

Our business involves the sales of buses and bus bodies. Our revenue is recognised upon delivery of our products and customers' acceptance.



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## FINANCIAL INFORMATION

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### **Inventories**

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using first-in, first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimate costs of completion and the estimated costs necessary to make the sale.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period which the reversal occurs.

### **Trade and other receivables**

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

Management determines impairment losses of trade receivables on a regular basis (which are recorded in an allowance account for doubtful debts) resulting from the inability of the customers to make the required payments. Management bases its estimates on the aging of the trade and other receivables balance, customer credit-worthiness and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than expected which could significantly affect the results in future periods.

## **SELECTED ITEMS OF THE COMBINED INCOME STATEMENTS**

### **Results of operations**

The following table sets out the combined results of our Group for each of the three years ended 31 October 2015 and the six months ended 30 April 2016, which are derived from, and should be read in conjunction with, the combined financial information set out in the Accountants' Report of the Group set out in Appendix IA to this prospectus.

## FINANCIAL INFORMATION

	Year ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
				<i>(unaudited)</i>	
<b>Revenue</b> . . . . .	32,371	34,329	41,070	27,005	16,754
Cost of sales . . . . .	(25,805)	(27,317)	(31,868)	(20,824)	(12,624)
<b>Gross profit</b> . . . . .	6,566	7,012	9,202	6,181	4,130
Other revenue . . . . .	47	53	64	40	28
Other net income/(loss) . . .	163	(54)	928	320	107
Selling and distribution expenses . . . . .	(518)	(964)	(1,742)	(521)	(839)
General and administrative expenses . . . . .	(1,601)	(1,795)	(2,299)	(1,210)	(1,667)
<b>Profit from operations</b> . . . .	4,657	4,252	6,153	4,810	1,759
Finance costs . . . . .	(799)	(886)	(791)	(416)	(323)
<b>Profit before taxation</b> . . . .	3,858	3,366	5,362	4,394	1,436
Income tax expenses . . . . .	(925)	(955)	(162)	(1,128)	(528)
<b>Profit for the year/period attributable to equity owners of the Company</b> . . . .	<u>2,933</u>	<u>2,411</u>	<u>5,200</u>	<u>3,266</u>	<u>908</u>

### Revenue

Our revenue was principally generated from the assembly/manufacture and sale of aluminium and steel buses and bus bodies. We generated revenue of approximately US\$32.37 million, US\$34.33 million, US\$41.07 million and US\$16.75 million for the each of the three years ended 31 October 2015 and the six months ended 30 April 2016, respectively. Our revenue grew by a CAGR of 12.6% from the year ended 31 October 2013 to 2015. The increasing trend was primarily due to the increase in the sale of products to both our core and developing markets. Revenue for the six months ended 30 April 2016 dropped by approximately 38.0% compared to that of the six months ended 30 April 2015. This was because our Group has undertaken more new projects in the first half of the financial year with the products manufactured for such new projects to be delivered, and the associated revenue to be recognised, in the second half of the financial year.

## FINANCIAL INFORMATION

### *By product category*

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

	Year ended 31 October						Six months ended 30 April			
	2013		2014		2015		2015		2016	
	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>(unaudited)</i>			
	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%
<b>Bus (CBU)</b>										
— City Bus . . . . .	18,895	58.4	13,678	39.8	31,539	76.8	19,937	73.8	11,263	67.2
— Coach . . . . .	2,449	7.6	4,419	12.9	2,885	7.0	2,278	8.4	3,202	19.1
<b>Bus Body</b>										
<b>CKD</b>										
— City Bus . . . . .	105	0.3	2,868	8.4	2,100	5.1	1,483	5.5	127	0.8
— Coach . . . . .	895	2.8	—	—	—	—	—	—	600	3.6
<b>SKD</b>										
— City Bus . . . . .	7,399	22.8	9,401	27.4	2,847	6.9	2,235	8.3	632	3.8
— Coach . . . . .	—	—	—	—	—	—	—	—	—	—
<b>Maintenance and aftersales service . . . . .</b>	<b>2,628</b>	<b>8.1</b>	<b>3,963</b>	<b>11.5</b>	<b>1,699</b>	<b>4.2</b>	<b>1,072</b>	<b>4.0</b>	<b>930</b>	<b>5.5</b>
<b>Total . . . . .</b>	<b>32,371</b>	<b>100.0</b>	<b>34,329</b>	<b>100.0</b>	<b>41,070</b>	<b>100.0</b>	<b>27,005</b>	<b>100.0</b>	<b>16,754</b>	<b>100.0</b>

### *By product material category*

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

	Year ended 31 October						Six months ended 30 April			
	2013		2014		2015		2015		2016	
	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>(unaudited)</i>			
	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%
Aluminium . . . . .	26,115	80.7	25,140	73.2	35,839	87.3	23,655	87.6	13,121	78.3
Steel . . . . .	3,628	11.2	5,226	15.2	3,532	8.6	2,278	8.4	2,703	16.1
Subtotal . . . . .	29,743	91.9	30,366	88.4	39,371	95.9	25,933	96.0	15,824	94.4
Part and services . . . . .	2,628	8.1	3,963	11.6	1,699	4.1	1,072	4.0	930	5.6
<b>Total . . . . .</b>	<b>32,371</b>	<b>100.0</b>	<b>34,329</b>	<b>100.0</b>	<b>41,070</b>	<b>100.0</b>	<b>27,005</b>	<b>100.0</b>	<b>16,754</b>	<b>100.0</b>

## FINANCIAL INFORMATION

### *By geographical locations*

The following table sets forth our revenue from different geographic locations for the period indicated:

	Year ended 31 October						Six months ended 30 April			
	2013		2014		2015		2015		2016	
	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>(unaudited)</i>			
	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%
<b>Core markets</b>										
Malaysia (place of domicile) . . . . .	9,628	29.7	11,837	34.5	4,579	11.1	4,693	17.4	426	2.5
Singapore . . . . .	19,345	59.8	12,309	35.9	25,239	61.5	18,432	68.3	10,231	61.1
Subtotal . . . . .	28,973	89.5	24,146	70.4	29,818	72.6	23,125	85.7	10,657	63.6
<b>Developing markets</b>										
Australia . . . . .	369	1.1	1,517	4.4	3,353	8.2	676	2.5	881	5.3
Hong Kong . . . . .	1,518	4.7	317	0.9	2,962	7.2	391	1.4	2,542	15.1
PRC . . . . .	105	0.3	2,197	6.4	2,213	5.4	1,512	5.6	194	1.2
India . . . . .	304	0.9	4,322	12.6	1,545	3.8	1,195	4.4	150	0.9
Others . . . . .	1,102	3.5	1,830	5.3	1,179	2.8	106	0.4	2,330	13.9
Subtotal . . . . .	3,398	10.5	10,183	29.6	11,252	27.4	3,880	14.3	6,097	36.4
<b>Total . . . . .</b>	<b>32,371</b>	<b>100.0</b>	<b>34,329</b>	<b>100.0</b>	<b>41,070</b>	<b>100.0</b>	<b>27,005</b>	<b>100.0</b>	<b>16,754</b>	<b>100.0</b>

## FINANCIAL INFORMATION

All our sale in Malaysia is denominated in Malaysian Ringgit. For overseas markets, except for certain sales to Hong Kong and India are in Malaysian Ringgit, all the remaining sales are denominated in foreign currencies, comprising US Dollars, Singapore Dollars, Australian Dollars and Euro. The following table illustrates our sales in Malaysian Ringgit and foreign currencies during the Track Record Period:

	For the year ended 31 October						For the six months ended 30 April 2016	
	2013		2014		2015		US\$'000	%
	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%
Revenue in MYR . . . . .	11,951	36.9%	15,932	46.4%	10,074	24.5%	1,623	9.7%
Revenue in Singapore Dollars . .	19,172	59.3%	12,433	36.2%	25,183	61.7%	10,292	64.4%
Revenue in US Dollars . . . . .	877	2.7%	4,287	12.5%	2,301	5.6%	2,514	15.0%
Revenue in Australian Dollars . .	371	1.1%	1,677	4.9%	3,354	8.2%	1,833	10.9%
Revenue in Euro . . . . .	—	—	137	0.4%	158	0.4%	492	2.9%
Revenue in total. . . . .	<u>32,371</u>	<u>100.0%</u>	<u>34,329</u>	<u>100.0%</u>	<u>41,070</u>	<u>100.0%</u>	<u>16,754</u>	<u>100.0%</u>

Our sale breakdown by geographical location, which is reported in US Dollars, is affected by exchange rates between Malaysian Ringgit, US Dollars and other relevant currencies. On the other hand, our cost is denominated in Malaysian Ringgit as well as other currencies, including Euro and US Dollars. Our profitability is therefore affected by exchange fluctuations. Please refer to Note 22(d) to the Accountants' Report of the Group in Appendix IA to this prospectus.

### Sensitivity analysis on the fluctuation of Malaysian Ringgit

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure closely and to keep the net exposure to an acceptable level. The Group will consider hedging significant foreign currency exposure should the need arise. Our Directors believe that the depreciation and weakening of Malaysian Ringgit would not have any negative impact on our net working capital needs and borrowing ability as the weakening of Malaysian Ringgit would result in an increase in profit. For further information on the impact of fluctuation of Malaysian Ringgit on our financial results, please refer to sensitivity analysis below.

## FINANCIAL INFORMATION

### *Sensitivity analysis on revenue*

The following table sets forth a sensitivity analysis illustrating the impact of hypothetical appreciation and depreciation of Malaysian Ringgit against Singapore Dollars, US Dollars, Australian Dollars and Euro on our revenue during the Track Record Period. Fluctuations are assumed to be 5% and 10% for each of the three years ended 31 October 2015 and the six months ended 30 April 2016, respectively.

	For the year ended 31 October 2013			For the year ended 31 October 2014			For the year ended 31 October 2015			For the six months ended 30 April 2016		
	Increase/(decrease) in revenue if			Increase/(decrease) in revenue if			Increase/(decrease) in revenue if			Increase/(decrease) in revenue if		
	MYR depreciate/ appreciate by 5% against	MYR depreciate/ appreciate by 10% against	US\$'000	MYR depreciate/ appreciate by 5% against	MYR depreciate/ appreciate by 10% against	US\$'000	MYR depreciate/ appreciate by 5% against	MYR depreciate/ appreciate by 10% against	US\$'000	MYR depreciate/ appreciate by 5% against	MYR depreciate/ appreciate by 10% against	US\$'000
Singapore Dollars. . . . .	959/(959)	1,917/(1,917)	US\$'000	622/(622)	1,243/(1,243)	US\$'000	1,259/(1,259)	2,518/(2,518)	US\$'000	515/(515)	1,029/(1,029)	US\$'000
US Dollars . . . . .	44/(44)	88/(88)		214/(214)	429/(429)		115/(115)	230/(230)		126/(126)	251/(251)	
Australian Dollars . . . . .	19/(19)	37/(37)		84/(84)	168/(168)		168/(168)	335/(335)		92/(92)	184/(184)	
Euro. . . . .	—/—	—/—		7/(7)	14/(14)		8/(8)	16/(16)		25/(25)	49/(49)	

## FINANCIAL INFORMATION

### *Sensitivity analysis on cost of sales*

The following table sets forth a sensitivity analysis illustrating the impact of hypothetical appreciation and depreciation of Malaysian Ringgit against Australian Dollars, Singapore Dollars, US Dollars, CHF, HKD and Euro on our cost of sale during the Track Record Period. Fluctuations are assumed to be 5% and 10% for each of the three years ended 31 October 2015 and the six months ended 30 April 2016, respectively.

	For the year ended 31 October 2013		For the year ended 31 October 2014		For the year ended 31 October 2015		For the six months ended 30 April 2016	
	Increase/(decrease) in cost of sale if		Increase/(decrease) in cost of sale if		Increase/(decrease) in cost of sale if		Increase/(decrease) in cost of sale if	
	MYR depreciate/ appreciate by 5% against	MYR depreciate/ appreciate by 10% against	MYR depreciate/ appreciate by 5% against	MYR depreciate/ appreciate by 10% against	MYR depreciate/ appreciate by 5% against	MYR depreciate/ appreciate by 10% against	MYR depreciate/ appreciate by 5% against	MYR depreciate/ appreciate by 10% against
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Australian Dollars . . . . .	3/(3)	5/(5)	16/(16)	32/(32)	20/(20)	41/(41)	21/(21)	43/(43)
Singapore Dollars. . . . .	148/(148)	296/(296)	148/(148)	297/(297)	186/(186)	372/(372)	68/(68)	136/(136)
US Dollars . . . . .	98/(98)	195/(195)	114/(114)	228/(228)	66/(66)	133/(133)	47/(47)	95/(95)
CHF. . . . .	188/(188)	376/(376)	238/(238)	475/(475)	265/(265)	530/(530)	225/(225)	449/(449)
HKD . . . . .	40/(40)	79/(79)	35/(35)	71/(71)	30/(30)	61/(61)	16/(16)	32/(32)
Euro . . . . .	123/(123)	245/(245)	100/(100)	200/(200)	144/(144)	287/(287)	64/(64)	127/(127)

# FINANCIAL INFORMATION

## *Sensitivity analysis on profit before taxation*

The following table sets forth a sensitivity analysis illustrating the impact of hypothetical appreciation and depreciation of Malaysian Ringgit against Australian Dollars, Singapore Dollars, US Dollars, CHF, HKD and Euro on our profit before taxation during the Track Record Period. Fluctuations are assumed to be 5% and 10% for each of the three years ended 31 October 2015 and the six months ended 30 April 2016, respectively.

	For the year ended 31 October 2013		For the year ended 31 October 2014		For the year ended 31 October 2015		For the six months ended 30 April 2016	
	Increase/(decrease) in profit before taxation if		Increase/(decrease) in profit before taxation if		Increase/(decrease) in profit before taxation if		Increase/(decrease) in profit before taxation if	
	MYR depreciate/ appreciate by 5% against	MYR depreciate/ appreciate by 10% against	MYR depreciate/ appreciate by 5% against	MYR depreciate/ appreciate by 10% against	MYR depreciate/ appreciate by 5% against	MYR depreciate/ appreciate by 10% against	MYR depreciate/ appreciate by 5% against	MYR depreciate/ appreciate by 10% against
Australian Dollars . . . . .	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
	16(16)	32(32)	68(68)	136(136)	148(148)	294(294)	71(71)	140(140)
Singapore Dollars . . . . .	811(811)	1,621(1,621)	474(474)	946(946)	1,073(1,073)	2,146(2,146)	447(447)	893(893)
US Dollars . . . . .	(54)/54	(107)/107	100/(100)	201/(201)	49/(49)	97/(97)	79/(79)	156/(156)
CHF . . . . .	(188)/188	(376)/376	(238)/238	(475)/475	(265)/265	(530)/530	(225)/225	(449)/449
HKD . . . . .	(40)/40	(79)/79	(35)/35	(71)/71	(30)/30	(61)/61	(16)/16	(32)/32
Euro . . . . .	(123)/123	(245)/245	(93)/93	(186)/186	(136)/136	(271)/271	(39)/39	(78)/78



## FINANCIAL INFORMATION

### Cost of sales

Our Group's cost of sales primarily consists of costs of materials, manufacturing overhead and direct labour cost.

The following table sets out the breakdown of our Group's cost of sales during the Track Record Period:

	Year ended 31 October						Six months ended 30 April			
	2013		2014		2015		2015		2016	
	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>(unaudited)</i>			
	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%
Materials										
Aluminium . . . . .	3,453	13.4	5,909	21.6	7,135	22.4	2,597	12.5	3,743	29.6
Steel . . . . .	1,179	4.6	751	2.8	1,261	4.0	521	2.5	353	2.8
Others <sup>(1)</sup> . . . . .	16,388	63.5	15,402	56.4	18,346	57.6	14,570	70.0	5,270	41.7
Manufacturing overhead . . . . .	858	3.3	1,013	3.7	875	2.7	480	2.3	597	4.7
Direct labour . . . . .	3,927	15.2	4,242	15.5	4,251	13.3	2,656	12.7	2,661	21.2
<b>Total . . . . .</b>	<b>25,805</b>	<b>100.0</b>	<b>27,317</b>	<b>100.0</b>	<b>31,868</b>	<b>100.0</b>	<b>20,824</b>	<b>100.0</b>	<b>12,624</b>	<b>100.0</b>

*Note:*

(1) Others comprise door systems, bus driver and passenger seats and fibreglass products, etc..

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## FINANCIAL INFORMATION

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### *Cost of materials*

We use various materials in our bus assembling and bus body manufacturing process, including, aluminium, steel and others. Cost of materials was our Group's major cost component during the Track Record Period. Cost of materials accounted for approximately 81.5%, 80.8%, 84.0% and 74.1% of the cost of sales for each of the three years ended 31 October 2015 and the six months ended 30 April 2016, respectively.

### *Manufacturing overhead*

Manufacturing overhead includes depreciation, consumables, water and electricity and repair and maintenance of machineries. Manufacturing overhead accounted for approximately 3.3%, 3.7%, 2.7% and 4.7% of the total cost of sales for each of the three years ended 31 October 2015 and the six months ended 30 April 2016, respectively.

### *Direct labour cost*

Bus building is a labour intensive process and we require sufficient workers (employed or contract workers) for our smooth operation. Direct labour cost primarily consists of expenses related to wages, bonuses and various employee benefits paid to employed or contract workers. Direct labour cost accounted for approximately 15.2%, 15.5%, 13.3% and 21.2% of the total cost of sales for each of the three years ended 31 October 2015 and the six months ended 30 April 2016, respectively.

### **Sensitivity analysis on major items in cost of sales<sup>(1)</sup>**

The following table sets forth a sensitivity analysis illustrating the impact of hypothetical fluctuations in cost of materials, cost of aluminium and direct labour cost on our gross profit and profit before taxation during the Track Record Period. Fluctuations are assumed to be 5% and 10% for each of the three years ended 31 October 2015 and the six months ended 30 April 2016, respectively, which correspond to the range of historical fluctuations of our costs of sales during the Track Record Period.

# FINANCIAL INFORMATION

Six months ended 30 April 2016

Year ended 31 October

	2013				2014				2015				2016			
	Gross profit	Increase/ (decrease) in percentage	Profit before taxation	Increase/ (decrease) in percentage	Gross profit	Increase/ (decrease) in percentage	Profit before taxation	Increase/ (decrease) in percentage	Gross profit	Increase/ (decrease) in percentage	Profit before taxation	Increase/ (decrease) in percentage	Gross profit	Increase/ (decrease) in percentage	Profit before taxation	Increase/ (decrease) in percentage
	US\$'000		US\$'000		US\$'000		US\$'000		US\$'000		US\$'000		US\$'000		US\$'000	
<b>Change in cost of materials</b>																
+10%	4,464	-32.0%	1,756	-54.5%	4,806	-31.5%	1,160	-65.5%	6,528	-29.1%	2,688	-49.9%	4,412	-28.6%	2,625	-40.3%
+5%	5,515	-16.0%	2,807	-27.2%	5,909	-15.7%	2,263	-32.8%	7,865	-14.5%	4,025	-24.9%	5,297	-14.3%	3,510	-20.1%
-5%	7,617	16.0%	4,909	27.2%	8,115	15.7%	4,469	32.8%	10,539	14.5%	6,699	24.9%	7,065	14.3%	5,278	20.1%
-10%	8,668	32.0%	5,960	54.5%	9,218	31.5%	5,572	65.5%	11,876	29.1%	8,006	49.9%	7,950	28.6%	6,163	40.3%
<b>Change in cost of aluminium</b>																
+10%	6,221	-5.3%	3,513	-9.0%	6,421	-8.4%	2,775	-17.6%	8,489	-7.8%	4,649	-13.3%	5,921	-4.2%	5,102	16.1%
+5%	6,393	-2.6%	3,685	-4.5%	6,717	-4.2%	3,071	-8.8%	8,845	-3.9%	5,005	-6.7%	6,051	-2.1%	5,232	19.1%
-5%	6,739	2.6%	4,051	4.5%	7,307	4.2%	3,661	8.8%	9,559	3.9%	5,719	6.7%	6,311	2.1%	5,492	25.0%
-10%	6,911	5.3%	4,203	9.0%	7,603	8.4%	3,957	17.6%	9,916	7.8%	6,076	13.3%	6,441	4.2%	5,622	27.9%
<b>Change in direct labour cost</b>																
+10%	6,173	-6.0%	3,465	-10.2%	6,588	-6.0%	2,942	-12.6%	8,777	-4.6%	4,937	-7.9%	5,915	-4.3%	4,128	-6.0%
+5%	6,370	-3.0%	3,662	-5.1%	6,800	-3.0%	3,154	-6.3%	8,989	-2.3%	5,149	-4.0%	6,048	-2.1%	4,261	-3.0%
-5%	6,762	3.0%	4,054	5.1%	7,224	3.0%	3,578	6.3%	9,415	2.3%	5,575	4.0%	6,314	2.1%	4,527	3.0%
-10%	6,959	6.0%	4,251	10.2%	7,436	6.0%	3,790	12.6%	9,627	4.6%	5,787	7.9%	6,447	4.3%	4,660	6.0%

**Note:**

(1) The sensitivity analysis above assumes that all other variables remain unchanged. This sensitivity analysis is intended for reference only. Investors should note in particular that this sensitivity analysis is not intended to be exhaustive and is limited to the impact on changes in the relevant item of our cost of sales.

## FINANCIAL INFORMATION

### Breakeven analysis

Assuming all other factors remain unchanged, the following table sets out the two scenarios which will cause us to incur a loss before taxation for the Track Record Period:

	Year ended 31 October			Six months ended 30 April 2016
	2013	2014	2015	
Decrease in turnover . . . . .	13.1%	9.8%	11.9%	8.6%
Increase in the average cost of aluminium . . . . .	75.2%	57.0%	111.7%	55.3%

### Gross profit and gross profit margin

Our gross profit was approximately US\$6.57 million, US\$7.01 million, US\$9.20 million and US\$4.13 million for each of the three years ended 31 October 2015 and the six months ended 30 April 2016, respectively. Our gross profit margin was approximately 20.3%, 20.4%, 22.4% and 24.7% for each of the three years ended 31 October 2015 and the six months ended 30 April 2016, respectively. The general increasing trend of gross profit margin during the Track Record Period was primarily due to the depreciation of Malaysian Ringgit in which we incurred a significant portion of our cost, whereas the majority of our revenue was derived from foreign currencies.

The following table sets forth the gross profit, gross profit margin and the percentage of our total gross profit by product material during the Track Record Period:

	Year ended 31 October									Six months ended 30 April					
	2013			2014			2015			2015			2016		
	Gross Profit	% of Gross Profit	Gross Profit	Gross Profit	% of Gross Profit	Gross Profit	Gross Profit	% of Gross Profit	Gross Profit	Gross Profit	% of Gross Profit	Gross Profit	Gross Profit	% of Gross Profit	Gross Profit
	US\$'000	Margin	US\$'000	US\$'000	Margin	US\$'000	US\$'000	Margin	US\$'000	US\$'000	Margin	US\$'000	US\$'000	Margin	US\$'000
<b>Products</b>															
Aluminium	5,717	87.1	21.9	5,700	81.3	22.7	8,345	90.6	23.3	5,657	91.5	23.9	3,180	77.0	24.2
Steel . . .	566	8.6	15.6	834	11.9	16.0	521	5.7	14.8	288	4.7	12.6	612	14.8	22.6
Subtotal . .	6,283	95.7	21.1	6,534	93.2	21.5	8,866	96.3	22.5	5,945	96.2	22.9	3,792	91.8	24.0
<b>Parts and services</b>															
services	283	4.3	10.8	478	6.8	12.1	336	3.7	19.8	236	3.8	22.0	338	8.2	36.3
<b>Total . . .</b>	<b>6,566</b>	<b>100.0</b>	<b>20.3</b>	<b>7,012</b>	<b>100.0</b>	<b>20.4</b>	<b>9,202</b>	<b>100.0</b>	<b>22.4</b>	<b>6,181</b>	<b>100.0</b>	<b>22.9</b>	<b>4,130</b>	<b>100.0</b>	<b>24.7</b>

## FINANCIAL INFORMATION

### Other revenue

Other revenue mainly consisted of bank interest income and rental income. The following table sets out the breakdown of our other revenue during the Track Record Period:

	Year ended 31 October						Six months ended 30 April			
	2013		2014		2015		2015		2016	
	US\$'000	%	US\$'000	%	US\$'000	%	<i>(unaudited)</i>			
	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%
Bank interest income . . . . .	44	93.6	43	81.1	47	73.4	22	55	22	78.6
Rental income . . . . .	3	6.4	3	5.7	3	4.7	1	2.5	1	3.6
Others <sup>(1)</sup> . . . . .	—	—	7	13.2	14	21.9	17	42.5	5	17.8
<b>Total . . . . .</b>	<b>47</b>	<b>100.0</b>	<b>53</b>	<b>100.0</b>	<b>64</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>

*Note:*

(1) Others include insurance claim and warranty refund.

### Other net income/(loss)

Other net income/(loss) mainly consisted of net foreign exchange gain and (loss)/gain on disposal of property, plant and equipment. The following table sets out the breakdown of our other net income/(loss) during the Track Record Period:

	Year ended 31 October						Six months ended 30 April			
	2013		2014		2015		2015		2016	
	US\$'000	%	US\$'000	%	US\$'000	%	<i>(unaudited)</i>			
	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%
Net foreign exchange gain . . . . .	163	100.0	43	(79.6)	915	98.6	289	90.3	107	100.0
(Loss)/gain on disposal of property, plant and equipment . . . . .	—	—	(97)	179.6	13	1.4	31	9.7	—	—
<b>Total . . . . .</b>	<b>163</b>	<b>100.0</b>	<b>(54)</b>	<b>100.0</b>	<b>928</b>	<b>100.0</b>	<b>320</b>	<b>100.0</b>	<b>107</b>	<b>100.0</b>

We recorded net foreign exchange gain during the Track Record Period due to the depreciation of Malaysian Ringgit against the contract currencies of the Group for the transactions denominated in foreign currencies, which mainly include US Dollars, Singapore Dollars and Australian Dollars. This amount represents the gain from translation of account receivables denominated in foreign currencies into Malaysian Ringgit.

## FINANCIAL INFORMATION

### 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. The following table sets out the breakdown of our selling and distribution expenses during the Track Record Period:

	Year ended 31 October						Six months ended 30 April			
	2013		2014		2015		2015		2016	
	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>(unaudited)</i>			
	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%
Advertising, promotion and entertainment expenses . . . . .	69	13.3	94	9.8	71	4.1	48	9.2	27	3.2
Logistic and motor vehicle expenses . . . . .	216	41.7	272	28.2	188	10.8	144	27.7	79	9.4
Travelling expenses . . . . .	201	38.8	214	22.2	200	11.5	86	16.5	91	10.9
Commission paid to a related party . . . . .	—	—	348	36.1	1,246	71.5	222	42.6	632	75.3
Others . . . . .	32	6.2	36	3.7	37	2.1	21	4.0	10	1.2
<b>Total . . . . .</b>	<b>518</b>	<b>100.0</b>	<b>964</b>	<b>100.0</b>	<b>1,742</b>	<b>100.0</b>	<b>521</b>	<b>100.0</b>	<b>839</b>	<b>100.0</b>

The increasing trend of our selling and distribution expenses was generally in line with our increase in business activities.

## FINANCIAL INFORMATION

### General and administrative expenses

Our general and administrative expenses mainly comprised staff costs as well as legal and professional fees. The following table sets out the breakdown of our general and administrative expenses during the Track Record Period:

	Year ended 31 October						Six months ended 30 April			
	2013		2014		2015		2015		2016	
	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>(unaudited)</i>			
Staff costs . . . . .	816	51.0	835	46.5	907	39.5	463	38.3	539	32.3
Depreciation . . . . .	224	14.0	227	12.6	199	8.7	54	4.5	83	5.0
Legal and professional fees	63	3.9	115	6.4	202	8.7	155	12.8	587	35.2
Office supplies . . . . .	234	14.6	254	14.2	231	10.0	110	9.1	153	9.2
Bad debt provision . . . . .	69	4.3	113	6.3	271	11.8	229	18.9	135	8.1
Bank charges . . . . .	60	3.8	22	1.2	291	12.7	74	6.1	22	1.3
Others . . . . .	135	8.4	229	12.8	198	8.6	125	10.3	148	8.9
<b>Total . . . . .</b>	<b>1,601</b>	<b>100.0</b>	<b>1,795</b>	<b>100.0</b>	<b>2,299</b>	<b>100.0</b>	<b>1,210</b>	<b>100.0</b>	<b>1,667</b>	<b>100.0</b>

Staff costs mainly represented the salary and staff benefits to our management and our staff who were not directly involved in the production. It amounted to US\$0.82 million, US\$0.84 million, US\$0.91 million and US\$0.54 million which represented 51.0%, 46.5%, 39.5% and 32.3% of our general and administrative expenses for each of the three years ended 31 October 2015 and six months ended 30 April 2016, respectively.

The increase in the legal and professional fees from US\$0.16 million for the period ended 30 April 2015 to US\$0.59 million for the period ended 30 April 2016 was due to the professional fees incurred in the preparation for the Listing exercise.

Bad debt provision represents impairments provided for account receivables over one year with low expected recoverability.

## FINANCIAL INFORMATION

### Finance cost

Finance cost represent interest expenses on bank borrowings, bank overdrafts and finance charge on obligations under finance leases. The following table sets out the breakdown of our finance cost during the Track Record Period:

	Year ended 31 October						Six months ended 30 April			
	2013		2014		2015		2015		2016	
	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>(unaudited)</i>			
	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%
Interest expenses on bank										
and other borrowings . . .	796	99.6	882	99.5	784	99.1	412	99.0	320	99.1
Finance charge on										
obligations under finance										
leases . . . . .	3	0.4	4	0.5	7	0.9	4	1.0	3	0.9
<b>Total . . . . .</b>	<b>799</b>	<b>100.0</b>	<b>886</b>	<b>100.0</b>	<b>791</b>	<b>100.0</b>	<b>416</b>	<b>100.0</b>	<b>323</b>	<b>100.0</b>

### Income tax expenses

We are subject to income tax for profits generated by or derived from the jurisdictions where the members of our Group were established or operated. Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, our Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands. Gemilang Singapore is subject to Singapore statutory income tax at a rate of 17% during the Track Record Period. During the three years ended 31 October 2013, 2014 and 2015, Gemilang Coachwork is subject to Malaysia statutory income tax rate of 25% and was changed to 24% during the period ended 30 April 2016 and thereafter. Income tax expenses represent our total current and deferred tax. Our effective tax rate, representing income tax divided by profit before tax, was 24.0%, 28.4%, 3.0% and 36.8%, respectively, for the three years ended 31 October 2015 and six months ended 30 April 2016. A lower effective tax rate for the year ended 31 October 2015 was due to an export incentive received during the year.



## FINANCIAL INFORMATION

The following table sets out the breakdown of our income tax expenses during the Track Record Period:

	Year ended 31 October						Six months ended 30 April			
	2013		2014		2015		2015		2016	
	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>(unaudited)</i>		<i>US\$'000</i>	%
Current Tax										
Charge for the year/period	400	43.2	872	91.3	575	354.9	1,094	97.0	189	35.8
(Over)/under provision in respect of prior year/period . . . . .	(5)	(0.5)	—	—	(6)	(3.7)	—	—	54	10.2
Deferred tax										
Origination and reversal of temporary differences . . .	530	57.3	96	10.1	(407)	(251.2)	34	3.0	285	54.0
Attributable to a change in tax rate . . . . .	—	—	(13)	(1.4)	—	—	—	—	—	—
<b>Income tax expense for the year/period . . . . .</b>	<b>925</b>	<b>100.0</b>	<b>955</b>	<b>100.0</b>	<b>162</b>	<b>100.0</b>	<b>1,128</b>	<b>100.0</b>	<b>528</b>	<b>100.0</b>

Other than Malaysia and Singapore, we are not subject to any other income tax in other jurisdictions during the Track Record Period. During the Track Record Period, we had a tax investigation which was settled in August 2016, for details, please refer to Note 9(c) of the Accountants' Report of the Group in Appendix IA and the section headed "Business — Legal proceedings and compliance — Non-compliances" of this prospectus.

### REVIEW OF HISTORICAL RESULTS OF OPERATION

#### Six months ended 30 April 2016 compared to six months ended 30 April 2015

##### *Revenue*

Our total revenue decreased by approximately US\$10.26 million or 38.0% from approximately US\$27.01 million for the six months ended 30 April 2015 to US\$16.75 million for the six months ended 30 April 2016. Such decrease was attributable to the decrease in the number of buses or bus bodies delivered to our customers because we undertook a total of nine new bus projects in the first half of the financial year of 2016, where the products produced for the orders from such new projects are expected to be delivered, with the associated revenue to be recognised, in the second half of the financial year.

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## FINANCIAL INFORMATION

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### *Cost of sales*

We recorded a decrease in cost of sales of approximately US\$8.20 million or 39.4% from approximately US\$20.82 million for the six months ended 30 April 2015 to US\$12.62 million for the six months ended 30 April 2016. Such decrease was in line with the decrease in revenue for the period.

### *Gross profit and gross profit margin*

Our gross profit decreased by approximately US\$2.05 million or 33.2% from approximately US\$6.18 million for the six months ended 30 April 2015 to US\$4.13 million for the six months ended 30 April 2016. Such decrease was in line with our decrease in revenue. Our gross profit margin increased from approximately 22.9% for six months ended 30 April 2015 to approximately 24.7% for six months ended 30 April 2016 primarily due to the depreciation of Malaysian Ringgit in which we incurred a significant part of our cost, whereas the majority of our revenue was derived from foreign currencies.

### *Other revenue*

Our other revenue decreased slightly by approximately US\$0.01 million from approximately US\$0.04 million for the six months ended 30 April 2015 to US\$0.03 million for the six months ended 30 April 2016.

### *Other net income/(loss)*

Our other net income decreased by approximately US\$0.21 million from approximately US\$0.32 million for the six months ended 30 April 2015 to US\$0.11 million for the six months ended 30 April 2016. Such decrease was mainly driven by the decrease in number of buses delivered overseas which resulted in decrease in revenue denominated in foreign currencies.

### *Selling and distribution expenses*

Our selling and distribution expenses increased by approximately US\$0.32 million or 61.5% from approximately US\$0.52 million for the six months ended 30 April 2015 to US\$0.84 million for the six months ended 30 April 2016. Such increase was driven by the increase in commission payable to Gemilang Australia as a result of increase in sales of buses to Australia and New Zealand from US\$0.68 million for the six months ended 30 April 2015 to US\$1.84 million for the six months ended 30 April 2016. The sales of buses to New Zealand has been included in the category of "Others" under geographical locations.

### *General and administrative expenses*

Our general and administrative expenses increased by approximately US\$0.46 million or 38.0% from approximately US\$1.21 million for the six months ended 30 April 2015 to US\$1.67 million for the six months ended 30 April 2016. Such increase was a result of the increase in legal and professional fees in relation to the Listing exercise, the increase in staff costs which were mildly off-set by the decrease in bank charges.

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## FINANCIAL INFORMATION

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### *Finance cost*

Our finance cost decreased by approximately US\$0.10 million or 23.8% from approximately US\$0.42 million for the six months ended 30 April 2015 to US\$0.32 million for the six months ended 30 April 2016. Such decrease was driven by the decrease in bank borrowings during the period as a result of a lower working capital requirement caused by a lower sales.

### *Income tax expenses*

For the six months period ended 30 April 2016, the income tax expense decreased by approximately US\$0.60 million or 53.2% compared with the period ended 30 April 2015. The decrease was in line with the decrease in revenue for the period ended 30 April 2016 as compared to the period ended 30 April 2015. The effective tax rate for the period ended 30 April 2015 and 2016 was 25.7% and 36.8%, respectively. A higher effective tax rate in the period ended 30 April 2016 was a result of incurring a one-off non-deductible Listing expenses.

### *Profit for the period*

As a result of the foregoing, our profit for the period decreased by approximately US\$2.36 million or 72.2% from approximately US\$3.27 million for the six months ended 30 April 2015 to US\$0.91 million for the six months ended 30 April 2016. The net profit margin for the six months ended 30 April 2015 and 2016, was 12.1% and 5.4%, respectively.

### **Year ended 31 October 2015 compared to year ended 31 October 2014**

#### *Revenue*

Our total revenue increased by approximately US\$6.74 million or 19.6% from approximately US\$34.33 million for the year ended 31 October 2014 to US\$41.07 million for the year ended 31 October 2015. Such increase was attributable to the significant increase in sales of buses to Singapore and Australia, and delivery of aluminium double deck buses and articulated buses which have a higher selling price comparing to single deck bus. Although such increase in sales of CBU was partly off-set by the decrease in delivery of SKDs in Malaysia, the overall revenue for the year ended 31 October 2015 increased.

#### *Cost of sales*

We recorded an increase in cost of sales of approximately US\$4.55 million or 16.7% from approximately US\$27.32 million for the year ended 31 October 2014 to US\$31.87 million for the year ended 31 October 2015. Due to a depreciation in Malaysian Ringgit, the growth rate of our cost of sales was slower than that of the revenue.

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## FINANCIAL INFORMATION

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### *Gross profit and gross profit margin*

As a result of the above, our gross profit increased by approximately US\$2.19 million or 31.2% from approximately US\$7.01 million for the year ended 31 October 2014 to US\$9.20 million for the year ended 31 October 2015.

Accordingly, our gross profit margin increased from approximately 20.4% for the year ended 31 October 2014 to 22.4% for the year ended 31 October 2015 primarily due to the depreciation of Malaysian Ringgit in which we incurred a significant part of our cost, whereas the majority of our revenue was derived from foreign currencies.

### *Other revenue*

Our other revenue increased slightly by approximately US\$0.01 million from approximately US\$0.05 million for the year ended 31 October 2014 to US\$0.06 million for the year ended 31 October 2015.

### *Other net income/(loss)*

Our other net income increased significantly by approximately US\$0.98 million from approximately US\$0.05 million of other net loss for the year ended 31 October 2014 to approximately US\$0.93 million of other net income for the year ended 31 October 2015. Such increase was mainly due to the depreciation of Malaysian Ringgit in the relevant year, which result in the recognition of US\$0.92 million net foreign exchange gain.

### *Selling and distribution expenses*

Our selling and distribution expenses increased by approximately US\$0.78 million or 81.3% from approximately US\$0.96 million for the year ended 31 October 2014 to US\$1.74 million for the year ended 31 October 2015. Such increase was driven by the increase in commission payable to Gemilang Australia as a result of increase in sales of buses to Australia and New Zealand which increased from US\$1.94 million for the year ended 31 October 2014 to US\$3.35 million for the year ended 31 October 2015. The sales of buses to New Zealand has been included in the category of "Others" under geographical locations.

### *General and administrative expenses*

Our general and administrative expenses increased by approximately US\$0.50 million or 27.8% from approximately US\$1.80 million for the year ended 31 October 2014 to US\$2.30 million for the year ended 31 October 2015. Such increase was mainly attributed by a higher professional cost, the increase in management team members and the increase in salaries.

### *Finance cost*

Our finance cost decreased by approximately US\$0.10 million or 11.2% from approximately US\$0.89 million for the year ended 31 October 2014 to US\$0.79 million for the year ended 31 October 2015. Such decrease was driven by the decrease in bank borrowings utilised during the relevant year.

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## FINANCIAL INFORMATION

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### *Income tax expenses*

For the year ended 31 October 2015, the income tax expense decreased by approximately US\$0.79 million or 83.0% compared with the year ended 31 October 2014. For the year ended 31 October 2015, we made a claim of export tax incentive of US\$4.75 million. This export tax incentive is subject to the requirements as stipulated under the Income Tax (Exemption) (No:17) Order 2005 (P.U.(A) 158/2005). In the future, we may also enjoy this incentive if we achieved certain export sales value increase compared to previous year and other requirements as stipulated thereunder. As a result, our effective tax rate decreased from 28.4% to 3.0% between the years.

For details of the Malaysian regulation on export tax incentive, please refer to the section headed “Regulations — Income tax exemption on value of increased exports” of this prospectus.

### *Profit for the year*

As a result of the foregoing, our profit for the year increased by approximately US\$2.79 million or a growth of 115.8% from approximately US\$2.41 million for the year ended 31 October 2014 to US\$5.20 million for the year ended 31 October 2015. The net profit margin for the year ended 31 October 2014 and 2015 was 7.0% and 12.7%, respectively.

### **Year ended 31 October 2014 compared to year ended 31 October 2013**

#### *Revenue*

Our total revenue increased by approximately US\$1.96 million or 6.1% from approximately US\$32.37 million for the year ended 31 October 2013 to US\$34.33 million for the year ended 31 October 2014. Such increase was attributable to new CKDs and CBUs sales for customers in China and India, respectively, and the increase in revenue from maintenance and aftersales service for an Indian project, which was mildly off-set by decrease in number of overall sales of buses to Singapore.

#### *Cost of sales*

We recorded an increase in cost of sales of approximately US\$1.51 million or 5.9% from approximately US\$25.81 million for the year ended 31 October 2013 to US\$27.32 million for the year ended 31 October 2014. Such increase was in line with our growth in revenue for the year.

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

Our gross profit increased by approximately US\$0.44 million or 6.7% from approximately US\$6.57 million for the year ended 31 October 2013 to US\$7.01 million for the year ended 31 October 2014. Such increase was in line with our growth of revenue.

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## FINANCIAL INFORMATION

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Our gross profit margin remained stable and recorded approximately 20.3% for the year ended 31 October 2013 and 20.4% for the year ended 31 October 2014.

### *Other revenue*

Our other revenue remained stable at US\$0.05 million for these two years. It included mainly bank interest income from bank deposits.

### *Other net income/(loss)*

During the year, we incurred other net loss of US\$0.05 million for the year ended 31 October 2014 as compared to other net income of US\$0.16 million for the year ended 31 October 2013. These was caused by a one-off loss incurred for the disposal of a motor vehicle which was partially offset by a depreciation of Malaysian Ringgit in the relevant year.

### *Selling and distribution expenses*

Our selling and distribution expenses increased by approximately US\$0.44 million or 84.6% from approximately US\$0.52 million for the year ended 31 October 2013 to US\$0.96 million for the year ended 31 October 2014. Such increase was driven by the commission payable to Gemilang Australia as a result of the increase in sales of buses to Australia and New Zealand which increased from US\$0.37 million for the year ended 31 October 2013 to US\$1.94 million for the year ended 31 October 2014. The sales of buses to New Zealand has been included in the category of “Others” under geographical locations.

### *General and administrative expenses*

Our administrative expenses increased by approximately US\$0.20 million or 12.5% from approximately US\$1.60 million for the year ended 31 October 2013 to US\$1.80 million for the year ended 31 October 2014. Such increase was driven by a one-off bad debt provision.

### *Finance cost*

Our finance cost increased by approximately US\$0.09 million or 11.3% from approximately US\$0.80 million for the year ended 31 October 2013 to US\$0.89 million for the year ended 31 October 2014. Such increase was driven by the increase in bank borrowings during the relevant year.

### *Income tax expenses*

For the year ended 31 October 2014, the income tax expense increased by approximately US\$0.03 million or 3.2% compared with the year ended 31 October 2013, the increase of which was due to the decrease in the reinvestment allowance available to the Group between the years which outweighed the drop in the profit for the year ended 31 October 2014.

## FINANCIAL INFORMATION

### *Profit for the year*

As a result of the foregoing, our profit for the year decreased by approximately US\$0.52 million or 17.7% from approximately US\$2.93 million for the year ended 31 October 2013 to US\$2.41 million for the year ended 31 October 2014. The net profit margin for the two years ended 31 October 2013 and 2014 was approximately 9.1% and 7.0% respectively.

### LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our working capital and capital expenditure principally through internally generated cash flow and bank borrowings.

#### Working capital

Our Directors are of the opinion that, after taking into account the existing financial resources available to us, including our available banking facilities, internally generated funds, and the estimated net proceeds from the Global Offering and Pre-IPO Investments, we have sufficient working capital for our present requirement for at least the next 12 months from the date of this prospectus.

#### Cash flows

The following table sets out a summary of our combined cash flow statements for the periods indicated:

	Year ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
				(unaudited)	
Net cash flows generated from operating activities . . . . .	5,934	51	3,188	94	4,250
Net cash flows used in investing activities	(403)	(594)	(434)	(11)	(1,341)
Net cash flows used in financing activities . . . . .	(5,204)	(171)	(2,243)	(318)	(1,774)
Net increase/(decrease) in cash and cash equivalents . . . . .	327	(714)	511	(235)	1,135
Cash and cash equivalents at the beginning of the year/period . . . . .	(124)	208	(514)	(514)	122
Effects of foreign exchange translation . .	5	(8)	125	40	7
Cash and cash equivalents at the end of the year/period . . . . .	<u>208</u>	<u>(514)</u>	<u>122</u>	<u>(709)</u>	<u>1,264</u>

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## FINANCIAL INFORMATION

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### *Net cash flows generated from operating activities*

Cash generated from operating activities consisted primarily of our Group's profit for the year, adjusted by income tax paid and non-cash items, such as depreciation of property, plant and equipment and adjusted by changes in working capital, such as trade and other receivables and trade and other payables.

For the year ended 31 October 2013, we had net cash generated from operating activities of US\$5.93 million, which was primarily contributed by operating cash flows before movements in working capital of US\$5.14 million, a decrease in trade and other receivables of US\$2.66 million and an increase in trade and other payables of US\$2.66 million. These cash inflows were largely offset by the cash outflows as a result of an increase in inventories of US\$4.05 million.

For the year ended 31 October 2014, we had net cash generated from operating activities of US\$0.05 million, which was primarily contributed by operating cash flows before movements in working capital of US\$4.86 million and an increase in trade and other payables of US\$5.97 million. These cash inflows were largely offset by the cash outflows as a result of an increase in inventories of US\$3.32 million and an increase in trade and other receivables of US\$6.87 million.

For the year ended 31 October 2015, we had net cash generated from operating activities of US\$3.19 million, which was primarily contributed by operating cash flows before movements in working capital of US\$6.71 million and decrease in inventories of US\$2.06 million. These cash inflows were largely offset by the cash outflows of a decrease in trade and other payables of US\$4.09 million and an increase in trade and other receivables of US\$0.51 million.

For the six months ended 30 April 2016, we recorded net cash generated from operating activities of US\$4.25 million, which was contributed by operating cash flows before movements in working capital of US\$2.28 million, a decrease in trade and other receivables of US\$1.14 million and an increase in trade and other payables of US\$5.64 million. These cash inflows were largely offset by the cash outflows as a result of an increase in inventories of US\$4.45 million.

For the six months ended 30 April 2015, we recorded net cash generated from operating activities of US\$0.09 million, which was contributed by operating cash flows before movements in working capital of US\$5.30 million and a decrease in inventories of US\$2.62 million. These cash inflows were largely offset by the cash outflow as a result of an increase in trade and other receivables of US\$2.57 million and a decrease in trade and other payable of US\$4.65 million.

### *Net cash flows used in investing activities*

For the year ended 31 October 2013, we had net cash used in investing activities of US\$0.40 million, which was primarily due to the cost of construction of an ancillary building and purchases of equipment of an aggregated sum of US\$0.45 million. The cash outflow was partially offset by interest received from the bank deposit of US\$0.04 million.



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## FINANCIAL INFORMATION

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For the year ended 31 October 2014, we had net cash used in investing activities of US\$0.59 million, which was primarily due to the cost of completion of an ancillary building and purchases of motor vehicles of an aggregated sum of US\$0.68 million. The cash outflow was partially offset by proceeds from disposal of property, plant and equipment of US\$0.05 million and interest received from the bank deposit of US\$0.04 million.

For the year ended 31 October 2015, we had net cash used in investing activities of US\$0.43 million, which was primarily due to the purchases of three pieces of freehold land for our new facility of US\$0.73 million. The cash outflow was partially offset by proceeds from disposal of property, plant and equipment of US\$0.25 million and interest received from the bank deposit of US\$0.05 million.

For the six months ended 30 April 2016, our net cash used in investing activities of approximately US\$1.34 million, which was primarily due to the payment of purchases of property, plant and equipment of US\$1.36 million. The cash outflow was slightly offset by interest received from the bank deposit of US\$0.02 million.

For the six months ended 30 April 2015, our net cash used in investing activities of approximately US\$0.01 million, which was primarily due to the payment of purchases of property, plant and equipment of US\$0.21 million. The cash outflow was largely offset by the proceeds from disposal of property, plant and equipment of US\$0.18 million and interest received from the bank deposit of US\$0.02 million.

### *Net cash flows used in financing activities*

Cash inflows/outflows from financing activities primarily include proceeds received/repayment of bank loans and payment of finance costs.

For the year ended 31 October 2013, we had net cash used in financing activities of US\$5.20 million, which was primarily contributed by the repayment of bank borrowings of US\$22.06 million, repayment of interest expenses of US\$0.86 million and repayment for directors' advances of US\$4.51 million, which was offset by the increase in bank borrowings of US\$22.32 million.

For the year ended 31 October 2014, we had net cash used in financing activities of US\$0.17 million, which was primarily contributed by the repayment of bank borrowings of US\$24.40 million, repayment of interest expenses of US\$0.92 million and repayment for directors' advances of US\$0.07 million, which was offset by the increase in bank borrowings of US\$25.30 million.

For the year ended 31 October 2015, we had net cash used in financing activities of US\$2.24 million, which was primarily contributed by the repayment of bank borrowings of US\$32.81 million, repayment of interest expenses of US\$0.80 million and repayment for directors' advances of US\$2.05 million, which was offset by the increase in bank borrowings of US\$33.95 million.

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For the six months ended 30 April 2016, our net cash used in financing activities of approximately US\$1.77 million, which was primarily contributed by the repayment of bank borrowings of US\$11.04 million, repayment of interest expenses of US\$0.29 million and dividend paid to the Controlling Shareholders of US\$0.49 million, which was offset by the increase in bank borrowing of US\$9.70 million.

For the six months ended 30 April 2015, our net cash used in financing activities of approximately US\$0.32 million, which was primarily contributed by the repayment of bank borrowings of US\$20.48 million, repayment of interest expenses of US\$0.45 million, which was offset by the increase in bank borrowing of US\$20.78 million.

### NET CURRENT LIABILITIES AND SELECTED ITEMS OF COMBINED STATEMENTS OF FINANCIAL POSITION

The following table below sets out our current assets, current liabilities and selected items of the combined statements of financial position as at the respective financial position dates indicated:

	As at 31 October			As at 30 April
	2013	2014	2015	2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Non-current assets:</b>				
Property, plant and equipment . . . . .	5,935	5,907	5,717	7,606
Intangible asset . . . . .	252	240	277	304
Deferred tax assets . . . . .	15	—	125	—
	6,202	6,147	6,119	7,910
<b>Current assets:</b>				
Inventories . . . . .	8,419	11,274	6,884	12,240
Trade and other receivables . .	3,123	9,709	7,858	7,073
Amounts due from directors . .	1,448	4	—	—
Tax recoverable . . . . .	241	—	332	490
Pledged bank deposits . . . . .	1,506	1,478	1,249	1,394
Cash and bank balances . . . . .	373	262	951	1,264
	15,110	22,727	17,274	22,461

## FINANCIAL INFORMATION

	As at 31 October			As at 30 April
	2013	2014	2015	2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Current liabilities:</b>				
Trade and other payables . . . .	8,633	14,123	7,468	14,127
Bank borrowings . . . . .	9,697	10,126	9,487	9,026
Bank overdrafts . . . . .	165	776	829	—
Obligations under				
finance leases . . . . .	29	56	41	51
Amounts due to directors . . . .	—	520	734	1,168
Provision for taxation . . . . .	—	50	13	20
	<u>18,524</u>	<u>25,651</u>	<u>18,572</u>	<u>24,392</u>
<b>Net current liabilities . . . . .</b>	<b>(3,414)</b>	<b>(2,924)</b>	<b>(1,298)</b>	<b>(1,931)</b>
<b>Total assets less current liabilities . . . . .</b>	<b>2,788</b>	<b>3,223</b>	<b>4,821</b>	<b>5,979</b>
<b>Non-current liabilities:</b>				
Obligations under				
finance leases . . . . .	20	118	88	161
Deferred tax liabilities . . . . .	243	299	—	163
	<u>263</u>	<u>417</u>	<u>88</u>	<u>324</u>
<b>Net assets . . . . .</b>	<b><u>2,525</u></b>	<b><u>2,806</u></b>	<b><u>4,733</u></b>	<b><u>5,655</u></b>
<b>Capital and reserves</b>				
Share capital . . . . .	675	679	679	679
Reserves . . . . .	1,850	2,127	4,054	4,976
<b>Total equity attributable to equity owners of the Company . . . . .</b>	<b><u>2,525</u></b>	<b><u>2,806</u></b>	<b><u>4,733</u></b>	<b><u>5,655</u></b>

## FINANCIAL INFORMATION

### Property, plant and equipment

Property, plant and equipment of our Group represent freehold land, buildings, building in progress, plant and machinery, tools and equipment, motor vehicles and furniture, fittings and other office equipment. Set out below is the net book value of each type of property, plant and equipment of our Group as at the respective financial position dates indicated:

	As at 31 October			As at 30 April
	2013	2014	2015	2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Freehold land . . . . .	996	950	1,791	1,966
Building . . . . .	3,718	3,657	2,787	3,048
Buildings in progress . . . . .	—	—	184	1,271
Plant and machinery . . . . .	510	466	297	405
Tools and equipment . . . . .	237	220	178	210
Motor vehicles . . . . .	279	416	316	409
Furniture, fittings and other office equipment . . . . .	195	198	164	297
<b>Total</b> . . . . .	<b>5,935</b>	<b>5,907</b>	<b>5,717</b>	<b>7,606</b>

The increase in carrying amount of freehold land as at 31 October 2015 was mainly contributed by the purchase of three pieces of freehold land for the new facility from GML Property, our related party, which amounted to US\$1.15 million during the year for use by our Group. For further details, please refer to Note 27(a) of the Accountants' Report of the Group in Appendix IA to this prospectus.

Our carrying amount of buildings drop significantly to US\$2.79 million as at 31 October 2015 and was mainly caused by a significant depreciation of Malaysian Ringgit in the second half of 2015. For the financial year ended 31 October 2015, we recorded a negative exchange realignment for buildings of US\$0.84 million.

The increase in the carrying amount of buildings in progress as at 30 April 2016 was mainly a result of the construction of a new facility.

Our Group acquired certain new motor vehicles through finance lease. The net book value of motor vehicles that were held under finance lease amounted to approximately US\$0.05 million, US\$0.22 million, US\$0.16 million and US\$0.26 million as at 31 October 2013, 2014 and 2015 and 30 April 2016, respectively.

## FINANCIAL INFORMATION

### Inventories

The following tables set out the respective carrying values of our inventories as at the dates indicated and the accompanying inventory turnover days during the Track Record Period:

	As at 31 October			As at 30 April
	2013	2014	2015	2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Raw material . . . . .	4,785	6,486	3,931	6,245
Work-in-progress . . . . .	1,313	3,590	1,917	4,255
Finished goods . . . . .	2,321	687	736	982
Goods in transit . . . . .	—	511	300	758
<b>Total</b> . . . . .	<b>8,419</b>	<b>11,274</b>	<b>6,884</b>	<b>12,240</b>

	Year ended 31 October			Six months ended 30 April
	2013	2014	2015	2016
	Inventory turnover days (Note) . . . . .	92	132	104

*Note:* Inventory turnover days equal to the average of beginning and closing inventories of the years/period divided by the cost of sale during such year/period and then multiplied by the number of days in the relevant year/period.

As of the Latest Practicable Date, we had utilised/sold approximately US\$8.92 million or 72.9% of our inventory as at 30 April 2016.

Our inventory comprises raw material, work-in-progress, finished goods and goods in transit. The total net carrying amount of our inventories increased from approximately US\$8.42 million as at 31 October 2013 to approximately US\$11.27 million as at 31 October 2014. Such increase was mainly due to stocking up of materials for a significant project for a Singapore customer in 2015. Accordingly, our inventory turnover days increased from 92 days in 2013 to 132 days in 2014.

The total net carrying amount of our inventories decreased by approximately US\$4.39 million from approximately US\$11.27 million as at 31 October 2014 to US\$6.88 million as at 31 October 2015, mainly due to the delivery of products according to the schedule as well as the depreciation of Malaysian Ringgit in 2015. The inventory turnover days therefore decreased to 104 days in 2015 from 132 days in 2014.

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The total net carrying amount of our inventories increased by approximately US\$5.36 million from approximately US\$6.88 million as at 31 October 2015 to US\$12.24 million as at 30 April 2016, mainly due to the anticipated delivery of buses of major orders to Malaysia, Australia and Hong Kong in the second half of the year ended 31 October 2016. The inventory turnover days increased to 139 days from 104 days in 2015.

### Trade and other receivables

The following table sets out our respective trade and other receivables as at the respective dates indicated:

	As at 31 October			As at 30 April
	2013	2014	2015	2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Trade receivables . . . . .	2,817	9,626	7,327	6,205
Less: allowance for doubtful debts . . . . .	(166)	(271)	(467)	(647)
	<u>2,651</u>	<u>9,355</u>	<u>6,860</u>	<u>5,558</u>
Other receivable <sup>(1)</sup> . . . . .	359	99	488	769
Advances to suppliers <sup>(2)</sup> . . . . .	—	7	403	306
Deposits <sup>(3)</sup> . . . . .	32	25	25	35
Prepayments <sup>(4)</sup> . . . . .	81	223	82	405
	<u>472</u>	<u>354</u>	<u>998</u>	<u>1,515</u>
	<u><u>3,123</u></u>	<u><u>9,709</u></u>	<u><u>7,858</u></u>	<u><u>7,073</u></u>

*Notes:*

- (1) Our other receivable mainly comprises of Goods and Services Tax refunded in relation to imported materials for production of products to be exported subsequently.
- (2) The advances to suppliers represent deposits paid to suppliers for purchase of materials and are of trade nature.
- (3) Deposits include deposits for utilities and rents.
- (4) Prepayments includes down payments for insurances.

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## FINANCIAL INFORMATION

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The following table set forth our trade receivables turnover days for the Track Record Period:

	Year ended 31 October			Six months ended 30 April
	2013	2014	2015	2016
Trade receivable turnover days				
<i>(Note)</i> . . . . .	42	64	72	68
	<u>42</u>	<u>64</u>	<u>72</u>	<u>68</u>

*Note:* Trade receivable turnover days equal to the average of beginning and closing trade receivables of the year/period divided by the revenue during such year/period and then multiplied by the number of days in the relevant year/period.

Our trade and other receivables primarily relate to the trade receivables for goods sold to our customers in the ordinary course of business.

The balance of trade and other receivables increased from approximately US\$3.12 million as at 31 October 2013 to approximately US\$9.71 million as at 31 October 2014. Such increase was due to the delivery of a significant portion of our products to our customer close to year end, resulting in the relevant invoices not due for payment as at the balance sheet date. Accordingly, trade receivable turnover days increased to 64 days during the year.

The balance of trade and other receivables decreased from approximately US\$9.71 million as at 31 October 2014 to approximately US\$7.86 million as at 31 October 2015. Such decrease was mainly attributed by the depreciation of Malaysian Ringgit. Otherwise the amount of trade and other receivables in Malaysian Ringgit should be stable.

The balance of trade and other receivables decreased from approximately US\$7.86 million as at 31 October 2015 to approximately US\$7.07 million as at 30 April 2016. The decrease in trade and other receivables as at 30 April 2016 was in line with the decrease in revenue for the six months ended 30 April 2016.

Our average trade receivable turnover days for the year ended 31 October 2015 and the six months ended 30 April 2016 have been relatively stable.

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The following table sets out an aging analysis of our trade receivables as of the dates indicated.

	As at 31 October			As at 30 April
	2013	2014	2015	2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Within 30 days . . . . .	217	6,006	2,337	2,278
31 to 90 days . . . . .	592	1,697	1,911	2,127
Over 90 days . . . . .	1,842	1,652	2,612	1,153
	<u>2,651</u>	<u>9,355</u>	<u>6,860</u>	<u>5,558</u>

As of the Latest Practicable Date, we had successfully collected approximately US\$5.16 million or 92.8% of our trade receivables as at 30 April 2016.

### Trade and other payables

The following table sets out a breakdown of our trade and other payables as of the dates indicated.

	As at 31 October			As at 30 April
	2013	2014	2015	2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Trade payables . . . . .	5,302	9,947	4,789	6,836
Other payables and accruals <sup>(1)</sup>	945	1,113	947	1,800
Advance deposits from customers . . . . .	2,386	3,063	1,732	5,491
	<u>8,633</u>	<u>14,123</u>	<u>7,468</u>	<u>14,127</u>

*Note:*

(1) Other payables and accruals mainly include accrued bank interests and Listing expense in 2016.

As of the Latest Practicable Date, we had settled approximately US\$3.47 million or 50.8% of our trade payables as at 30 April 2016.



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The following table set forth our trade and other payables turnover days for the Track Record Period:

	Year ended 31 October			Six months ended 30 April
	2013	2014	2015	2016
Trade payable turnover days				
<i>(Note)</i> . . . . .	76	102	84	84

*Note:* Trade payable turnover days equal to the average of beginning and closing trade payables of the year/period divided by the cost of sale during such year/period and then multiplied by the number of days in the relevant year/period.

Our trade and other payables increased from approximately US\$8.63 million as at 31 October 2013 to approximately US\$14.12 million as at 31 October 2014. Such increase was mainly due to the purchase of materials for a significant project for a Singapore customer in 2015. Accordingly, our average trade payable turnover days increased from 76 days in the year ended 31 October 2013 to 102 days in the year ended 31 October 2014.

Our trade and other payables decreased from approximately US\$14.12 million as at 31 October 2014 to approximately US\$7.47 million as at 31 October 2015. Such decrease was mainly due to the depreciation of Malaysian Ringgit in 2015 and because we expedited the settlement proactively. As a result, our average trade payable turnover days decreased from 102 days in the year ended 31 October 2014 to 84 days in the year ended 31 October 2015.

Our trade and other payables increased from approximately US\$7.47 million as at 31 October 2015 to approximately US\$14.13 million as at 30 April 2016. Such increase was mainly due to significant increase of advance deposits from customers for the increase in orders placed with us and the increase in other payables and accruals. Our average trade and other payable turnover days for the year ended 31 October 2015 and the six months ended 30 April 2016 have been relatively stable.

The following table sets out an aging analysis of our trade payables as of the dates indicated.

	As at 31 October			As at 30 April
	2013	2014	2015	2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Within 30 days . . . . .	1,187	2,520	1,176	3,142
31 to 90 days . . . . .	1,864	3,402	1,783	2,091
Over 90 days . . . . .	2,251	4,025	1,830	1,603
<b>Total</b> . . . . .	<b>5,302</b>	<b>9,947</b>	<b>4,789</b>	<b>6,836</b>

## FINANCIAL INFORMATION

### Amounts due from/(to) directors

Amounts due from directors are non-trade related and represent the unsecured, interest-free and repayable on demand cash advances to our directors. The following table sets forth our amounts due from directors as of the dates indicated:

	As at 31 October			As at 30 April
	2013	2014	2015	2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Mr. SW Phang . . . . .	936	—	—	—
Mr. CY Pang . . . . .	512	—	—	—
Ms. Shyan Phang . . . . .	—	4	—	—
<b>Total</b> . . . . .	<b>1,448</b>	<b>4</b>	<b>—</b>	<b>—</b>

All amounts due from directors have been repaid as at 31 October 2015 and no amounts due from directors have been incurred thereafter.

Amounts due to directors are non-trade related and represent the unsecured, interest-free, and repayable on demand cash advances to us incurred mainly as a result of general working capital usage. The following table sets forth our amounts due to directors as of the dates indicated:

	As at 31 October			As at 30 April
	2013	2014	2015	2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Mr. SW Phang . . . . .	—	171	320	588
Mr. CY Pang . . . . .	—	349	414	580
<b>Total</b> . . . . .	<b>—</b>	<b>520</b>	<b>734</b>	<b>1,168</b>

All amounts due to directors will be repaid before Listing.

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### Amount due from a close family member of a director

Amount due from a close family member of a director was non-trade related and represents the unsecured interest-free, and repayable on demand cash advances to such person. The following table sets forth our amount due from a close family member of a director as of the dates indicated:

	As at 31 October			As at 30 April
	2013	2014	2015	2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Mr. Peter Phang . . . . .	76	50	—	—

The amount due from a close family member of a directors had been repaid as at 31 October 2015 and no amounts due from any close family members of directors have been incurred thereafter.

### Amounts due from/(to) related companies

The following table sets forth our amount due from/(to) related companies as of the dates indicated:

	As at 31 October			As at 30 April
	2013	2014	2015	2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Gemilang Australia . . . . .	389	120	(207)	161
GML Marketing . . . . .	(45)	(71)	—	3
SW Excel . . . . .	—	(115)	(17)	(64)
P&P Excel . . . . .	(13)	(10)	(49)	(5)
P&P Excel Tech Engineering . .	—	—	—	(46)
GML Property . . . . .	(74)	(158)	—	—
<b>Total</b> . . . . .	<b>257</b>	<b>(234)</b>	<b>(273)</b>	<b>49</b>

Amounts due from Gemilang Australia as at 31 October 2013, 2014 and 2015 and 30 April 2016 represented the sales of bus body during the Track Record Period and its related parts and services. The amounts were of trade nature and with no credit period granted and shall be settled upon issuance of invoice.

Amounts due to GML Marketing as at 31 October 2013 and 2014 represented the labour cost provided to the Group for installation of floor board. The amounts were of trade nature and with no credit period granted and shall be settled upon issuance of invoice.

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## FINANCIAL INFORMATION

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Amounts due to SW Excel as at 31 October 2014 and 2015 and 30 April 2016 represented service fee payable to SW Excel in respect of service of installation of fibreglass. The amounts were of trade nature and with no credit period granted and shall be settled upon issuance of invoice.

Amounts due to P&P Excel as at 31 October 2013, 2014 and 2015 and 30 April 2016 represented service fee payable to P&P Excel in respect of service of installation of air-conditioners onto our buses and maintenance service for air-conditioning on our motor vehicles. The amounts were of trade nature and with no credit period granted and shall be settled upon issuance of invoice.

Amounts due to P&P Excel Tech Engineering as at 30 April 2016 represented service fee payable to P&P Excel Tech Engineering in respect of service of installation of air-conditioners onto our buses and maintenance service for air-conditioning on our motor vehicles.

Amounts due to GML Property as at 31 October 2013 and 2014 represented the rent payable to GML Property under a lease agreement and a sale and purchase agreement in respect of three pieces of land.

Other than balances with Gemilang Australia and P&P Excel Tech Engineering, the amounts due from/(to) related companies will be fully settled before Listing.

### **Tax recoverable/provision for taxation**

Tax recoverable/provision for taxation represent provision for Malaysian and Singapore tax plus balance of tax (recoverable)/provision relating to prior years.

### **Pledged bank deposits**

Pledged bank deposits have been pledged to banks as security for banking facilities granted to the Group. The pledged bank deposits will be released upon the settlement of relevant bank borrowings. Our pledged bank deposits amounted to approximately US\$1.51 million, US\$1.48 million, US\$1.25 million and US\$1.39 million, respectively as at 31 October 2013, 2014 and 2015, and 30 April 2016, respectively.

Our pledged bank deposits decreased from approximately US\$1.51 million as at 31 October 2013 to approximately US\$1.48 million as at 31 October 2014 and further decreased to approximately US\$1.25 million as at 31 October 2015. Such decrease was mainly due to depreciation of Malaysian Ringgit against US Dollars while our pledged bank deposits are placed in Malaysian Ringgit or otherwise the amount of our pledged bank deposits would be relatively stable.

## FINANCIAL INFORMATION

### Cash and bank balances

Cash and bank balance as at 30 April 2016 amounted to US\$1.26 million, which has increased compared to the balances of US\$0.37 million as at 31 October 2013, US\$0.26 million as at 31 October 2014 and US\$0.95 million as at 31 October 2015, respectively.

### Bank borrowings and bank overdrafts

Bank borrowings are bank loans drawn for the purpose of specific transactions while bank overdrafts are bank loans drawn for use as general working capital. The table below set forth breakdown of our Group's bank borrowings and bank overdrafts as of the date indicated:

	As at 31 October			As at 30 April
	2013	2014	2015	2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Bank borrowings . . . . .	9,697	10,126	9,487	9,026
Bank overdrafts . . . . .	165	776	829	—
<b>Total</b> . . . . .	<b>9,862</b>	<b>10,902</b>	<b>10,316</b>	<b>9,026</b>

The table below set forth analysis of the Group's secured bank borrowings and bank overdrafts as of the date indicated:

	As at 31 October			As at 30 April
	2013	2014	2015	2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Current liabilities</b>				
Portion of bank overdrafts and borrowings due for repayment within 1 year . . .	9,377	10,489	9,398	8,087
Bank borrowings due for repayment after 1 year . . . .	485	413	918	939
<b>Total</b> . . . . .	<b>9,862</b>	<b>10,902</b>	<b>10,316</b>	<b>9,026</b>

Our total amount of bank loans including bank borrowings and bank overdrafts increased from approximately US\$9.86 million as at 31 October 2013 to approximately US\$10.90 million as at 31 October 2014 due to the growth in operation of our Group and the corresponding growth in cost of sales which requires additional financial resources.

## FINANCIAL INFORMATION

Our total amount of bank loans including bank borrowings and bank overdrafts decreased from approximately US\$10.90 million as at 31 October 2014 to approximately US\$10.32 million as at 31 October 2015 due to the depreciation of Malaysian Ringgit against US Dollars, and all of our loans are denominated in Malaysian Ringgit.

Our total amount of bank loans including bank borrowings and bank overdrafts decreased from approximately US\$10.32 million as at 31 October 2015 to approximately US\$9.03 million as at 30 April 2016 due to the settlement of the bank overdrafts during the relevant year.

Majority of the Group's bank loans above were drawn for working capital purposes. The Group's loan agreements contain standard terms, conditions and covenants that are customary for commercial bank loans in Malaysia. Such covenants primarily include requirements that the Group shall obtain the lenders' prior consent or notify them for certain transactions, such as disposal of material assets, merger or consolidation and liquidation or winding up.

The Company has confirmed that the Group has complied with all the covenants of the banking facilities at all times.

### INDEBTEDNESS

The table below sets forth the bank borrowings of our Group as at the respective dates indicated:

	As at 31 October			As at 30 April	As at 31 August
	2013	2014	2015	2016	2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Portion of bank overdrafts and borrowings due for repayment within 1 year . . . . .	9,377	10,489	9,398	8,087	10,627
Bank borrowings due for repayment after 1 year which contain a repayment on demand clause . . . . .	485	413	918	939	823
<b>Total . . . . .</b>	<b>9,862</b>	<b>10,902</b>	<b>10,316</b>	<b>9,026</b>	<b>11,450</b>

The bank loans bore interest ranging from 1.50% to 8.15% as at the respective dates.

## FINANCIAL INFORMATION

As at 31 October 2013, 2014 and 2015, 30 April 2016 and 31 August 2016, the bank borrowings of our Group were secured as follows:

	Notes	As at 31 October			As at 30 April	As at 31 August
		2013	2014	2015	2016	2016
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Bank borrowings						
— secured and guaranteed . . . . .	(i),(ii), (iv)	9,862	10,902	9,339	8,321	9,224
— unsecured and guaranteed . . . . .	(iii),(iv), (v)	—	—	977	705	2,226
		<u>9,862</u>	<u>10,902</u>	<u>10,316</u>	<u>9,026</u>	<u>11,450</u>

*Notes:*

The Group's bank borrowings as at 31 October 2013, 2014, 2015, 30 April 2016 and 31 August 2016 were secured by:

- (i) Legal charges over freehold lands, buildings and building in progress of the Group with carrying amount of approximately US\$4.71 million, US\$4.61 million, US\$4.76 million, US\$6.29 million and US\$7.42 million, respectively;
- (ii) Deposits with licensed banks of the Group with carrying amount of approximately US\$1.51 million, US\$1.48 million, US\$1.25 million, US\$1.39 million and US\$1.82 million, respectively;
- (iii) Deposit with a licensed bank held by a Director;
- (iv) Joint and several guarantees given by Directors;
- (v) Legal charge over a land held by a related company of the Group for the bank borrowings as at 31 August 2016.

As at 31 October 2013, 2014 and 2015, 30 April 2016 and 31 August 2016 the Group had aggregate banking facilities of approximately US\$14.96 million, US\$17.25 million, US\$17.26 million and US\$18.89 million and US\$23.34 million respectively, for loans and borrowings. Unused facilities as at the same date amounted to approximately US\$5.10 million, US\$6.34 million, US\$6.95 million, US\$9.86 million and US\$11.51 million, respectively.

Our Directors confirm that we did not experience any withdrawal of facilities, default in payment of trade and other payables, bank borrowings or breach of financial covenants and had not experienced difficulties in meeting obligations during the Track Record Period and up to the Latest Practicable Date and certain bank borrowings and facilities are subject to the fulfilment of covenants relating to financial ratio requirements or any other material covenants which would adversely affect our Group's ability to undertake additional debt or equity financings.

## FINANCIAL INFORMATION

The Group has drawdown a bank loan for construction of new facility of approximately US\$1.13 million in September 2016 at interest rate of 1.8% below the Malaysian Bank's Base Lending Rate which is repayable within 15 years. The bank loan is secured by the freehold land, buildings and building in progress held by our Group. Saved as disclosed in the prospectus, our Directors confirm that we do not have any plan to raise material external debt financing as at the Latest Practicable Date.

The table below sets forth our Group's obligations under finance leases as at the respective dates indicated:

	Present value		Present value		Present value		Present value		Present value	
	of the minimum lease payments	Total minimum lease payments	of the minimum lease payments	Total minimum lease payments	of the minimum lease payments	Total minimum lease payments	of the minimum lease payments	Total minimum lease payments	of the minimum lease payments	Total minimum lease payments
	As at 31 October 2013		As at 31 October 2014		As at 31 October 2015		As at 30 April 2016		As at 31 August 2016	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Within 1 year . . . . .	29	31	56	63	41	47	51	60	56	67
After 1 year but										
within 2 years . . . . .	11	11	57	62	24	28	48	55	54	62
After 2 years but										
within 5 years . . . . .	9	10	61	64	64	67	113	120	143	153
	20	21	118	126	88	95	161	175	197	215
	<u>49</u>	<u>52</u>	<u>174</u>	<u>189</u>	<u>129</u>	<u>142</u>	<u>212</u>	<u>235</u>	<u>253</u>	<u>282</u>
Less: total future										
interest expenses . . . . .		(3)		(15)		(13)		(23)		(29)
Present value of										
lease obligations . . . . .		<u>49</u>		<u>174</u>		<u>129</u>		<u>212</u>		<u>253</u>

Motor vehicles of our Group are held under finance lease. The lease terms ranging from three to five years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The finance leases carry interest at the rate of per annum ranging from 2.42% to 3.27%.

As at 31 October 2013, 2014, 2015, 30 April 2016 and 31 August 2016, the carrying amount of motor vehicles held under finance leases was approximately US\$50,000, US\$223,000, US\$161,000, US\$259,000 and US\$361,000, respectively.



## FINANCIAL INFORMATION

The table below sets forth the Group's amounts due to directors and a related party as at the respective dates indicated:

	As at 31 October			As at 30	As at 31
	2013	2014	2015	April 2016	August 2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Amounts due to directors . .	—	520	734	1,168	811
Amount due to a related party . . . . .	—	—	—	—	1,532
	<b>—</b>	<b>520</b>	<b>734</b>	<b>1,168</b>	<b>2,343</b>

The amounts owing to directors represent advances from directors, which are unsecured, interest-free and repayable on demand.

The amount due to a related party is unsecured, interest-free and repayable on demand. The amount will be capitalised before Listing.

### Contingent Liabilities

#### (i) Performance bonds

	As at 31 October			As at 30	As at 31
	2013	2014	2015	April 2016	August 2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Performance bonds for contracts in favour of customers . . . . .	713	688	3,372	4,036	3,496
	<b>713</b>	<b>688</b>	<b>3,372</b>	<b>4,036</b>	<b>3,496</b>

The above performance bonds were given by banks in favour of some of our customers as security for the due performance and observance of our obligations under the contracts we entered into with our customers. If we breached certain terms of such contracts, such customers may demand the banks to pay to them the sum or sums stipulated in such demand. We will then become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contract work for the relevant customers.

## FINANCIAL INFORMATION

### (ii) Financial guarantees

	As at 31 October			As at 30	As at 31
	2013	2014	2015	April 2016	August
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Guarantees given to banks in connection with facilities granted to:					
— Related companies					
GML Property Sdn. Bhd. . . . .	2,475	2,360	1,817	1,994	1,573
GML Technologies Sdn. Bhd. . .	1,814	1,730	1,331	1,462	1,168
	4,289	4,090	3,148	3,456	2,741

As at 31 October 2013, 2014, 2015, 30 April 2016 and 31 August 2016, our Group had provided guarantees for bank facilities of related companies amounting to approximately US\$4.29 million, US\$4.09 million, US\$3.15 million, US\$3.46 million and US\$2.74 million, respectively. Such guarantees will be released upon listing of the Company's Shares on the Stock Exchange.

Except as disclosed in this section, as at 31 August 2016 we did not have any outstanding loan capital, issued and outstanding, and authorised or otherwise created but unissued, terms loans, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptable credits, debentures, finance lease or hire purchase commitments, guaranteed, unguaranteed, secured (whether the security is provided by our Group or by third parties) or unsecured, borrowings, debts, debt securities or other similar indebtedness, mortgages, charges, guarantees or other material contingent liabilities. Our Directors have confirmed that there has not been any material adverse change in our Group's indebtedness and contingent liabilities since 31 August 2016, being the date for determining our Group's indebtedness.

### NET CURRENT LIABILITIES

As a private company, we had a policy of paying out substantial part of our net profit for the year as dividend during the Track Record Period. During the Track Record Period, our average payout ratio ranged from 43.6% to 109.6%, leading to a relatively low cash balance. We finance our working capital primarily through cash generated from operation, bank borrowings and trade credits including trade payable and advance deposits from our customers. In addition, we have been utilising short term facilities to finance our capital expenditures which are long term in nature. As a result, we had net current liabilities during the Track Record Period.

## FINANCIAL INFORMATION

Our Directors believe that, with our available banking facilities, the future cash generated from our operating activities and the proceeds we expect to receive from the Global Offering, we will be able to further improve our liquidity position after Listing. Please refer to the section headed “Risk factors — We have net current liabilities and high gearing ratio as at 31 October 2013, 2014 and 2015 and 30 April 2016” of this prospectus.

The following table sets forth the breakdown of our Group’s current assets and current liabilities as at 31 October 2013, 2014, 2015 and 30 April 2016 and as at 31 August 2016:

	As at 31 October			As at 30 April	As at 31 August
	2013	2014	2015	2016	2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
					<i>(unaudited)</i>
<b>Current assets</b>					
Inventories . . . . .	8,419	11,274	6,884	12,240	9,529
Trade and other receivables . . . . .	3,123	9,709	7,858	7,073	19,561
Amounts due from directors . . . . .	1,448	4	—	—	—
Tax recoverable . . . . .	241	—	332	490	—
Pledged bank deposits . . . . .	1,506	1,478	1,249	1,394	1,824
Cash and bank balances . . . . .	373	262	951	1,264	627
<b>Total current assets . . . . .</b>	<b>15,110</b>	<b>22,727</b>	<b>17,274</b>	<b>22,461</b>	<b>31,541</b>
<b>Current liabilities</b>					
Trade and other payables . . . . .	8,633	14,123	7,468	14,127	19,903
Bank borrowings . . . . .	9,697	10,126	9,487	9,026	9,869
Bank overdrafts . . . . .	165	776	829	—	1,581
Obligations under finance					
leases . . . . .	29	56	41	51	56
Amounts due to a related					
party ( <i>note</i> ) . . . . .	—	—	—	—	1,532
Amounts due to directors . . . . .	—	520	734	1,168	811
Provision for taxation . . . . .	—	50	13	20	220
<b>Total current liabilities . . . . .</b>	<b>18,524</b>	<b>25,651</b>	<b>18,572</b>	<b>24,392</b>	<b>33,972</b>
<b>Net current liabilities . . . . .</b>	<b>(3,414)</b>	<b>(2,924)</b>	<b>(1,298)</b>	<b>(1,931)</b>	<b>(2,431)</b>

*Note:* the sum will be capitalised before Listing.

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## FINANCIAL INFORMATION

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As at 31 October 2014, our Group had net current liabilities of approximately US\$2.92 million which represented a decrease of approximately US\$0.49 million as compared to the net current liabilities as at 31 October 2013. Such decrease was mainly attributable to an increase in trade and other receivables of approximately US\$6.58 million and an increase of inventories of approximately US\$2.85 million, which was partially offset by an increase in trade and other payables of approximately US\$5.49 million, but the net current liabilities had been relatively stable between the years/periods.

As at 31 October 2015, our Group had net current liabilities of approximately US\$1.30 million which represented a decrease of approximately US\$1.63 million as compared to the net current liabilities as at 31 October 2014. Such decrease was mainly attributable to an increase of cash and banks balances of approximately US\$0.69 million and a decrease in trade and other payables of approximately US\$6.65 million, which was partially offset by a decrease in inventories of approximately US\$4.39 million and a decrease in trade and other receivables of approximately US\$1.85 million.

As at 30 April 2016, our Group had net current liabilities of approximately US\$1.93 million which represented an increase of approximately US\$0.63 million as compared to the net current liabilities as at 31 October 2015. Such increase was mainly attributable to an increase of trade and other payables of approximately US\$6.66 million and a decrease in trade and other receivables of approximately US\$0.79 million, which was partially offset by a decrease in bank borrowings of approximately US\$0.46 million, a decrease in bank overdrafts of approximately US\$0.83 million, an increase in inventories of approximately US\$5.36 million.

As at 31 August 2016, our Group had net current liabilities of approximately US\$2.43 million which represented an increase of approximately US\$0.50 million as compared to the net current liabilities as at 30 April 2016. Such increase was mainly attributable to an increase of trade and other payables of approximately US\$5.78 million, an increase in bank borrowings of approximately US\$0.84 million and an increase in bank overdrafts of approximately US\$1.58 million, which was partially offset by an increase in trade and other receivables, an increase in pledged bank deposits. Having considered (i) the net current liabilities of approximately US\$2.43 million as at 31 August 2016; (ii) the net proceeds of the Global Offering and Pre-IPO Investments; (iii) the repayment of bank borrowings as mentioned in the paragraph headed “Future plan and use of proceeds — Reasons for Listing and use of proceeds”, the Group is expected to be in net current asset position upon Listing.

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## FINANCIAL INFORMATION

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Even though our Group had net current liabilities as at 31 October 2013, 2014 and 2015, 30 April 2016 and 31 August 2016, in making the view that we have sufficient working capital for at least the next 12 months from the date of this prospectus, our Directors have reviewed the following:

- 1) our internally generated funds from operating activities, cash flow projection and our forecast consolidated profit attributable to equity owners of our Company for the year ending 31 October 2016 of not less than US\$2.10 million;
- 2) the existing financial resources available to us, including the aggregate banking facilities of approximately US\$23.34 million with unused portion of US\$11.51 million as at 31 August 2016;
- 3) up to the Latest Practicable Date, approximately HK\$12.42 million (approximately US\$1.60 million) out of the proceeds from the Pre-IPO Investments of HK\$15 million (approximately US\$1.93 million) has been utilised;
- 4) as of the Latest Practicable Date, the collection of approximately US\$5.16 million from the outstanding balance of our trade receivables as of 30 April 2016; and
- 5) interim dividend of US\$0.75 million declared on 1 July 2016, which was paid in full in September 2016 using internally generated funds.

Our Directors confirm that we had not have any material defaults in payment of trade and non-trade payables, and bank borrowings or breaches of financial covenants during the Track Record Period and up to the Latest Practicable Date. As at 31 August 2016, the latest practicable date for ascertaining certain financial information, approximately 80.6% of our bank borrowings are secured. Furthermore, we have been servicing our debts on schedule and have not been requested to early repay our bank borrowings during the Track Record Period and up to the Latest Practicable Date. We have no difficulties in obtaining new bank loans or renewal of existing bank borrowings and facilities during the Track Record Period. Based on the above, our Directors believe that our banks will not exercise their discretion to demand immediate repayment of our bank borrowings but allow such bank borrowings to be repaid in accordance with the scheduled dates set out in the relevant agreements and/or facility letters after considering our credibility, track record and long-term relationship of more than 10 years on average with our major lending banks.

After due consideration and discussions with our senior management and based on the above, the Sole Sponsor has no reason to believe that we will be unable to meet the working capital requirements for the 12 month-period from the date of this prospectus.

## FINANCIAL INFORMATION

### CAPITAL COMMITMENTS AND EXPENDITURES

#### Capital Commitments

The following table sets forth the capital expenditures our Group contracted for during the Track Record Period:

	As at 31 October			As at 30 April
	2013	2014	2015	2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Property, plant and equipment	—	1,300	1,214	430
Capital contribution to a PRC entity. . . . .	—	—	1,583	1,544
	—	1,300	2,797	1,974

Our capital commitments primarily comprise purchase of property, plant and equipment and capital contribution to a proposed joint venture pursuant to a joint venture agreement dated in July 2015, which was terminated in June 2016. Accordingly, we have no capital commitment pursuant thereto. Since the entering of the joint venture agreement, the Group has not made any capital contribution to the joint venture prior to the termination in June 2016 and has not recognised any loss as a result of the termination. For details, please refer to the paragraph headed “Net current liabilities and selected items of combined statement financial position — Property, plant and equipment” in this section.

#### Capital Expenditures

Our capital expenditures primarily comprise purchase of property, plant and equipment. Our capital expenditures were funded, and are expected to continue to be funded, by internal resources and bank borrowings. The following table sets forth our Group’s capital expenditures during the Track Record Period:

	As at 31 October			As at 30 April
	2013	2014	2015	2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Property, plant and equipment	479	854	1,973	1,448

## FINANCIAL INFORMATION

### OPERATING COMMITMENTS

Our Group leases offices and equipment which are non-cancellable with lease terms between one and five years and rentals are fixed for an average of three years. As at 31 October 2013, 2014, 2015 and 30 April 2016, our Group had contracted for the following future aggregate minimum lease rental expenses:

	As at 31 October			As at 30 April
	2013	2014	2015	2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
No later than 1 year . . . . .	51	18	11	44
After 1 year but within 5 years . . . . .	—	8	1	6
<b>Total</b> . . . . .	<b>51</b>	<b>26</b>	<b>12</b>	<b>50</b>

### KEY FINANCIAL RATIOS

The following table sets out key financial ratios of our Group during the years/period:

	As at/ for the year ended 31 October			As at/ for the six months ended 30 April
	2013	2014	2015	2016
<b>Profitability ratios</b>				
Return on assets <sup>(1)</sup> . . . . .	13.8%	8.4%	22.2%	6.0%
Return on equity <sup>(2)</sup> . . . . .	116.2%	85.9%	109.9%	32.1%
<b>Liquidity ratios</b>				
Current ratio <sup>(3)</sup> . . . . .	0.82	0.89	0.93	0.92
Quick ratio <sup>(4)</sup> . . . . .	0.36	0.45	0.56	0.42
<b>Capital adequacy ratios</b>				
Gearing ratio <sup>(5)</sup> . . . . .	392.5%	394.7%	220.7%	163.4%
Net debt-to-equity ratio <sup>(6)</sup> . . . . .	377.7%	385.4%	200.6%	141.0%
Interest coverage <sup>(7)</sup> . . . . .	5.8	4.8	7.8	5.4

*Notes:*

- Return on assets is calculated based on the net profit attributable to the owners of our Company for the year/period, which is annualised if applicable, divided by the total assets at the end of the respective year/period and multiplied by 100%.
- Return on equity is calculated based on the net profit attributable to the owners of our Company for the year/period, which is annualised if applicable, divided by the total equity attributable to the owners of our Company at the end of the respective year/period and multiplied by 100%.

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## FINANCIAL INFORMATION

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3. Current ratio is calculated based on the total current assets at the end of the year/period divided by the total current liabilities at the end of the respective year/period.
4. Quick ratio is calculated based on the total current assets excluding inventory at the end of the year/period divided by the total current liabilities at the end of the respective year/period.
5. Gearing ratio is calculated based on total debt at the end of the year/period divided by total equity at the end of the respective year/period multiplied by 100%. Total debt represents bank borrowings, bank overdrafts and obligations under finance leases.
6. Net debt-to-equity ratio is calculated based on total net debt which is equal to total debt less cash and cash equivalents at the end of the year/period divided by total equity at the end of the respective year/period multiplied by 100%.
7. Interest coverage is calculated based on the net profit before interest and tax for the respective year/period divided by the interest expenses for the respective year/period.

### **Current ratio**

Our current ratio increased from approximately 0.82 as at 31 October 2013 to approximately 0.89 as at 31 October 2014, primarily due to the increase in inventories and trade and other receivables, which was partially offset by the increase in trade and other payables. Our current ratio further increased from approximately 0.89 as at 31 October 2014 to approximately 0.93 as at 31 October 2015, primarily due to the decreases in current liabilities outpacing the decreases in our current assets. Our current ratio decreased from approximately 0.93 as at 31 October 2015 to approximately 0.92 as at 30 April 2016, primarily due to the increase in inventories and trade and tax recoverable, which was partially offset by the increase in trade and other payables.

### **Gearing ratio**

Our gearing ratio increased from approximately 392.5% as at 31 October 2013 to 394.7% as at 31 October 2014, primarily due to the increases in bank borrowings and bank overdrafts outpacing the increases in equity. Our gearing ratio decreased from approximately 394.7% as at 31 October 2014 to approximately 220.7% as at 31 October 2015 due to the decrease in bank borrowings and increase in total equity. Our gearing ratio decreased from approximately 220.7% as at 31 October 2015 to approximately 163.4% as at 30 April 2016, primarily due to a decrease in bank borrowings and bank overdrafts and the increase in our total equity.



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## FINANCIAL INFORMATION

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Our net debt-to-equity ratio increased from approximately 377.7% as at 31 October 2013 to 385.4% as at 31 October 2014, primarily due to the increases in bank borrowings and bank overdrafts and a decrease in cash and cash equivalents, which was partially offset by an increase in our total equity. Our net debt-to-equity ratio decreased from approximately 385.4% as at 31 October 2014 to approximately 200.6% as at 31 October 2015 due to the decrease in bank borrowings, an increase in our cash and cash equivalents and an increase in total equity. Our net debt-to-equity ratio decreased from approximately 200.6% as at 31 October 2015 to approximately 141.0% as at 30 April 2016, as a result of a combined decrease in bank borrowings and bank overdrafts, and an increase in both our cash and cash equivalents and an increase in total equity.

We incurred high gearing ratio throughout the Track Record Period, because we finance our working capital through bank borrowings. During the Track Record Period, we endeavour to reduce our gearing ratio, resulting in the drop of our gearing ratio from approximately 392.5% as at 31 October 2013 to 163.4% as at 30 April 2016. Our Directors expect that our gearing ratio will improve immediately after the Listing, based on the following:

1. part of the estimated net proceeds from the Global Offering and Pre-IPO Investments, part of which will be used for bank loan repayment; and
2. the capitalisation of the amount due to the immediate holding company of the Group prior to Listing, which amounted to approximately US\$1.93 million as at the Latest Practicable Date.

### **Interest coverage ratio**

Our interest coverage ratio decreased from approximately 5.8 times as at 31 October 2013 to 4.8 times as at 31 October 2014, primarily due to the drop in our profit before interest and tax and an increase in interest payable over the year. Our interest coverage ratio increased from approximately 4.8 times as at 31 October 2014 to 7.8 times as at 31 October 2015, primarily due to an increase in profit before interest and tax and a decrease in interest payable over the year. Our interest coverage ratio decreased from approximately 7.8 times as at 31 October 2015 to 5.4 times as at 30 April 2016, primarily due to drop in profit before interest and tax which was partially offset by decrease in interest payable over the period.

### **Return on assets**

During the Track Record Period, our return on assets fluctuated in line with profit after tax for the corresponding period which was largely affected by the delivery schedule of our products.

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## FINANCIAL INFORMATION

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### Return on equity

During the Track Record Period, movement of our return on equity was generally in line with movement of our return on assets.

### RELATED PARTY TRANSACTIONS

With respect to the related party transaction set forth in Note 24 of the Accountants' Report of the Group in Appendix IA to this prospectus, our Directors confirm that these transactions were conducted on an arm's length basis.

### OFF-BALANCE SHEET ARRANGEMENTS

We did not have any outstanding off-balance sheet guarantees, interest rate swap transactions, foreign currency and commodity forward contracts or other off-balance sheet arrangements during the Track Record Period. We do not engage in trading activities involving non-exchange traded contracts. In the course of our normal business, we do not enter into transactions involving, or otherwise form relationships with, unconsolidated entities or financial partnerships that are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Our Group's major financial instruments included cash and bank balances, amounts due to directors and other interest bearing borrowings. The risks associated with these financial instruments include foreign currency exchange risk, credit risk, liquidity risk and interest rate risk.

The policies on how to mitigate these risks are set out below. The management of our Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### Foreign currency exchange risk

Our Group undertakes certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arises. Our Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure closely to keep the net exposure to an acceptable level. Our Group will consider hedging significant foreign currency exposure should the need arise.

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## FINANCIAL INFORMATION

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During the Track Record Period, while we generated majority of our revenue and trade receivables in US Dollars and Singapore Dollars, and majority of our costs were denominated in Malaysian Ringgit.

### **Credit risk**

Our Group's credit risk is primarily attributable to trade and other receivables, pledged bank deposits and cash at banks. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluation is performed on all customers and debtors requiring credit over a certain amount. These evaluations focus on the historical payments of the customers/debtors when due and current ability to pay, taking into account information specific to the customers/debtors as well as the economic environment in which the customers/debtors operate. Normally, our Group does not obtain collateral from customers.

Cash is deposited with financial institutions with sound credit ratings and our Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer/debtor rather than the industry or country in which the customer/debtors operate and therefore significant concentrations of credit risk primarily arise when our Group has significant exposure to individual customers/debtor. The credit risk is also concentrated on amounts due from key management personnel and related parties of our Group. In order to minimise the credit risk, from time to time, the management of our Group closely monitors the exposure and reviews the recoverable amounts of such receivables to ensure adequate impairment losses are made for irrecoverable amounts.

### **Liquidity risk**

Individual operating entities within our Group are responsible for their own cash management, including the short term investment of cash surplus and the raising of loans to cover expected cash demands, subject to approval by the Board when the borrowings exceed certain predetermined authorised level. Our policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirement in the short and longer term.

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## FINANCIAL INFORMATION

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For further details, please refer to Note 22(b) of the Accountants' Report of the Group in Appendix IA to this prospectus for details.

### Interest rate risk

Our Group's interest rate risk arises primarily from interest bearing bank borrowings. Bank borrowings at variable rate expose the Group to cash flow interest rate risk. For further details, please refer to Note 22(c) of the Accountants' Report of the Group in Appendix IA to this prospectus for details.

### PROPERTY INTEREST AND VALUATION OF PROPERTIES

For the purpose of the Listing, American Appraisal China Limited has valued the Group's freehold land and building as at 31 August 2016. Particulars of the property interest of our Group are set out in Appendix IV to this prospectus.

A reconciliation of our Group's freehold land and building and the valuation of such property interest as required under Rule 5.07 of the Listing Rules is set forth below:

	<i>US'000</i>
Net book value of the Group's freehold land and building as of 30 April 2016 (audited) . . . . .	5,014
Movement from 30 April 2016 to 31 August 2016 (unaudited)	
Depreciation . . . . .	(23)
Net book value of property interest as of 31 August 2016 (unaudited) . . .	4,991
Valuation surplus as of 31 August 2016 . . . . .	4,264
Valuation as of 31 August 2016 per Valuation Report set out in Appendix IV . . . . .	<u>9,255</u>

### PROFIT FORECAST

For the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 November 2015, our unaudited pro forma forecast earnings per share for the year ending 31 October 2016 have been prepared on the basis of the notes set out below. This unaudited pro forma forecast earnings per share has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of our financial results for the year ending 31 October 2016 or for any future period.

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## FINANCIAL INFORMATION

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Forecast consolidated profit attributable to equity owners

of our Company for the year ending 31 October 2016<sup>(1)</sup> . . . . . not less than US\$2.1 million  
(approximately HK\$16.3 million)

Unaudited pro forma forecast earnings per share

for the year ending 31 October 2016<sup>(2)(3)</sup> . . . . . not less than US\$0.84 cents  
(approximately HK\$6.52 cents)

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*Notes:*

1. The bases and assumptions on which the above profit forecast has been prepared are summarised in Appendix III to this prospectus. The Directors have prepared the forecast combined profit attributable to equity owners of our Company for the year ending 31 October 2016 based on the audited combined results for the six months ended 30 April 2016, the unaudited combined results based on management accounts of our Group for the four months ended 31 August 2016 and a forecast of the consolidated results of our Group for the remaining two months ending 31 October 2016 and assuming a total listing expenses of approximately US\$2.34 million (approximately HK\$18.16 million) to be incurred during the financial year.
2. The calculation of the unaudited pro forma forecast earnings per share is based on the forecast consolidated results for the year ending 31 October 2016 attributable to equity owners of our Company, assuming that a total of 250,000,000 Shares had been issued during the entire year. The calculation of the forecast earnings per share does not take into account any shares which may be issued upon the exercise of the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme.
3. The forecast consolidated profit attributable to equity owners of our Company and the unaudited pro forma forecast earnings per share are converted into HK\$ at the exchange rate of US\$1.00 to HK\$7.76.

### **DIVIDEND**

For each of the three years ended 31 October 2015 and the six months ended 30 April 2016, we declared and paid an aggregated dividend of US\$3.22 million, US\$2.01 million, US\$2.27 million and US\$0.49 million, respectively, which represented a payout ratio of 109.6%, 83.3%, 43.6% and 53.5%, respectively. On 1 July 2016, we have further declared a dividend of US\$0.75 million, which was paid in full in September 2016 using internally generated funds. The dividend was declared to provide returns to the shareholders on their respective investments, and is not an indicator of the dividend to be declared in the future.

## FINANCIAL INFORMATION

Our Directors intend to declare dividends, if any, in Hong Kong dollars with respect to Shares on a per Share basis and will pay such dividends in Hong Kong dollars. Any final dividend for a financial year will be subject to the Shareholders' approval. The Company currently does not have a dividend policy in place. For subsequent years, our Directors may recommend declaration of final dividends or pay interim dividends, if any, after taking into account, among other things, our results of operations, cashflows and financial condition, operating and capital requirements, the amount of distributable profits based on HKFRSs, the Memorandum and Bye-laws, the Companies Act, applicable laws and regulations, prevailing economic climate and such other factors which our Directors may deem relevant. There is, however, no assurance that dividends of such amount or any amount will be declared or distributed in the future.

### DISTRIBUTABLE RESERVE

Our Company was incorporated on 21 June 2016 and has not carried on any business since the date of its incorporation. Accordingly, our Company has no reserve available for distribution to Shareholders as at 30 April 2016.

### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma financial information has been prepared, on the basis of the notes set out below, to illustrate how the Global Offering may have affected the combined net tangible assets of our Group attributable to owners of our Company had it occurred as at 30 April 2016. It has been prepared for illustrative purpose only and, because of its nature, it may not give a true picture of the financial position of our Group.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 30 April 2016 <i>(Note 1)</i>	Estimated net proceeds from the Global Offering <i>(Note 2)</i>	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company	Unaudited pro forma adjusted combined net tangible assets of the Group per Share <i>(Note 3 and 4)</i>	
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$</i>	<i>HK\$</i>
Based on the Offer Price of HK\$1.2 for each Share . . .	5,351	6,889	12,240	0.049	0.380
Based on the Offer Price of HK\$1.42 for each Share . . .	5,351	8,599	13,950	0.056	0.433

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## FINANCIAL INFORMATION

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*Notes:*

- (1) The audited combined net tangible assets of the Group attributable to owners of the Company as at 30 April 2016 was determined as follows:

	<i>US\$'000</i>
Audited combined net assets of the Group as at 30 April 2016 as shown in the Accountants' Report of the Group as set out in Appendix IA to this prospectus . . .	5,655
Less: Intangible asset. . . . .	(304)
	<hr/>
Audited combined net tangible assets of the Group attributable to owners of the Company as at 30 April 2016 . . . . .	5,351
	<hr/> <hr/>

- (2) The estimated net proceeds from the Global Offering are based on the total number of Offer Shares and the Offer Price range of HK\$1.2 and HK\$1.42 per Share, respectively, after deduction of underwriting fees and related expenses to be incurred subsequent to 30 April 2016 and payable by the Company but takes no account of any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any share which may be allotted and issued of any options which may be granted under the Share Option Scheme. The estimated net proceeds from the Global Offering are converted from United States dollar into Hong Kong dollar at an exchange rate of HK\$7.76 to US\$1. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted to United States dollar amounts, or vice versa, at that rate or at all.
- (3) The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that a total of 250,000,000 Shares are expected to be in issue pursuant to the Global Offering and take no account of any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any share which may be allotted and issued of any options which may be granted under the Share Option Scheme.
- (4) The unaudited pro forma adjusted combined net tangible assets per Share is converted into Hong Kong Dollars at an exchange rate of HK\$7.76 to US\$1. No representation is made that United States dollar amounts have been, could have been or may be converted to Hong Kong dollar amounts, or vice versa, at that rate or at all.
- (5) The freehold lands and buildings included in property and equipment of the Group were valued by American Appraisal China Limited and the valuation report in respect of which is set out in Appendix IV to this prospectus. According to the valuation report, such property interest of the Group as at 31 August 2016 amounted to approximately US\$9,255,000. Comparing this amount with the carrying value of the freehold lands and buildings included in property, plant and equipment of the Group as at 30 April 2016 of approximately US\$5,014,000, there was a surplus of US\$4,241,000. Had such property interests been stated at revaluation, additional annual depreciation of approximately US\$20,000 will therefore be charged. The surplus on revaluation will not be reflected in the Group's consolidated financial statements in subsequent years as the Group has elected to state the property interests at cost model.
- (6) The unaudited pro forma adjusted combined net tangible assets per share does not take into account i) Gemilang Coachwork's interim dividend of approximately US\$753,000 declared on 1 July 2016 before the completion of Reorganisation; and ii) the effect of the loan capitalisation of approximately US\$1,933,000 as described in the paragraph headed "Reorganisation — (ix) capitalisation of the loan" in the section headed "History, reorganisation and corporate structure" of this prospectus. Had such dividend and loan capitalisation been taken into account together, the unaudited pro forma adjusted combined net tangible assets per Share would be US\$0.054 (HK\$0.417) and US\$0.061 (HK\$0.470), assuming the Offer Price range of HK\$1.2 and HK\$1.42 per Share respectively at an exchange rate of HK\$7.76 to US\$1.

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## FINANCIAL INFORMATION

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- (7) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 30 April 2016.

### DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that, save as disclosed above, they are not aware of any circumstances which would give rise to the disclosure obligation under Rules 13.12 to 13.19 of the Listing Rules.

### RECENT DEVELOPMENT

The followings are the list of our major developments after 30 April 2016:

- (i) since May 2016 and up to the Latest Practicable Date, we delivered a total of 155 buses and 144 bus body kits to Singapore, Malaysia, China, Hong Kong, Australia, New Zealand and The Philippines;
- (ii) in May 2016, we secured an order for 122 double-deck buses worth approximately US\$19.5 million from Singapore scheduled for delivery over the period commencing from October 2016 to September 2017;
- (iii) in August 2016, we secured an order for 11 single-deck electric buses worth approximately US\$1.0 million (MYR4.1 million) to be used in Hong Kong;
- (iv) in April 2016, we secured a bank loan of approximately US\$4.90 million (MYR20 million) for general working capital. As of the Latest Practicable Date, we have already utilised an amount of approximately US\$4.07 million from this loan facility. In light of this, our unutilised bank facilities under this bank loan are approximately US\$0.83 million;
- (v) the Group has drawdown a bank loan for construction of new facility of approximately US\$1.13 million in September 2016 at interest rate of 1.8% below the Malaysian bank's base lending rate which is repayable within 15 years. The bank loan is secured by the freehold land, buildings and building in progress held by our Group; and
- (vi) on 20 July 2016, Gemilang Asia Pacific, a wholly owned subsidiary of the Company entered into a share sale agreement with Mr. CY Pang, our Controlling Shareholder and executive Director. Pursuant to the agreement, Gemilang Asia Pacific acquired 50% interest of Gemilang Australia from Mr. CY Pang. For further details, please refer to the paragraphs headed "History, reorganisation and corporate structure — Acquisition of 50% interests in Gemilang Australia" of this prospectus and "Financial information — Acquisition of 50% interests in Gemilang Australia" in this section.



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## FINANCIAL INFORMATION

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It is expected that our net profit for the year ending 31 October 2016 before deduction of Listing expenses will decrease compared to net profit for the year ended 31 October 2015. Such decrease is mainly as a result of a deferred tax income of US\$1.19 million in relation to a claim of export tax incentive in the year ended 31 October 2015. If there were no such claim of export tax incentive available in the year ended 31 October 2015, the forecast net profit for the year ending 31 October 2016 before deduction of Listing expenses would be higher than the net profit for the year ended 31 October 2015.

Our Directors confirm that since 30 April 2016 and up to the date of this prospectus, there were no material adverse changes in our operational, financial or trading position or in the general regulatory, economic and market conditions of our industry or in the territories in which we have business dealings with, which will materially affect the information in the Accountants' Report of the Group as set out in Appendix IA to this prospectus.

### LISTING EXPENSES

We expect the total Listing expenses (including underwriting commission) in relation to the Global Offering to be approximately US\$3.47 million (approximately HK\$26.94 million), based on the midpoint of the Offer Price range. For the six months ended 30 April 2016, Listing expenses of approximately US\$0.48 million (approximately HK\$3.72 million) had been recognised as expenses. It is estimated that based on the midpoint of the Offer Price range set out in this prospectus, Listing expenses in the sum of approximately US\$1.13 million (approximately HK\$8.78 million) will be capitalised in equity and the remaining Listing expenses in the sum of approximately US\$2.34 million (approximately HK\$18.16 million) will be recognised as expenses for the year ending 31 October 2016. Part of these Listing expenses are covered by the funds raised from the Pre-IPO Investments of approximately US\$1.93 million (HK\$15.0 million), with the remaining of approximately US\$1.54 million (HK\$11.94 million) to be deducted from the gross proceeds from the Global Offering. Our Directors would like to emphasise that such one off amount of Listing expenses is a current estimate for reference only, and the final amount is subject to adjustment based on audit and change in variables and assumptions. However, our Directors take the view that the amount of Listing expenses to be recognised in the combined statements of profit and loss of our Group for the year ending 31 October 2016 should not differ materially from such amount estimated. As such, our Directors expect that our financial results for the year ending 31 October 2016 will be negatively affected by this significant non-recurring item of Listing expenses incurred in relation to the Global Offering.

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## FINANCIAL INFORMATION

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### NO MATERIAL ADVERSE CHANGE

As mentioned in the paragraph headed “Listing expenses” in this section above, it is estimated that based on the midpoint of the Offer Price range set out in this prospectus, part of the Listing expenses in the sum of approximately HK\$18.16 million is expected to be recognised as expenses for the year ending 31 October 2016. Our Directors expect that our financial results for the year ending 31 October 2016 will be negatively affected by the significant non-recurring Listing expenses incurred in relation to the Global Offering. Save as disclosed above, our Directors confirmed that since 30 April 2016 and up to the Latest Practicable Date, (i) there has been no material adverse change in the market conditions or the industry and environment in which we operate that would materially and adversely affect our financial or operating position; (ii) there has been no other material adverse change in the trading and financial position or prospects of our Group; and (iii) no event had occurred in all material respects since 30 April 2016 and up to the Latest Practicable Date that would adversely affect the information shown in the Accountants’ Report of the Group set out in Appendix IA to this prospectus.

### ACQUISITION OF 50% INTERESTS IN GEMILANG AUSTRALIA

#### Gemilang Australia

On 20 July 2016, Gemilang Asia Pacific, a wholly owned subsidiary of the Company entered into a share sale agreement (the “**GA Acquisition Agreement**”) with Mr. CY Pang, one of our Controlling Shareholders and an executive Director. Pursuant to the GA Acquisition Agreement, completion of which took place on 20 July 2016. Gemilang Asia Pacific acquired 200 ordinary shares in Gemilang Australia, representing 50% interests of Gemilang Australia, from Mr. CY Pang (the “**GA Acquisition**”). Prior to the GA Acquisition Agreement, Mr. CY Pang directly owned 200 ordinary shares (which were acquired at par value) in Gemilang Australia, representing 50% of all issued shares of Gemilang Australia.

Gemilang Australia was incorporated in Western Australia as a proprietary company with limited liability on 15 September 2009. Since its incorporation, Gemilang Australia has been providing marketing and support services to us in relation to our sales to Australia and New Zealand and after-sales services to our customers in Australia and New Zealand. Immediately prior to our acquisition of 50% interests in Gemilang Australia, Gemilang Australia was owned by Mr. CY Pang as to 50%, Mr. Peter James Murley as to 25%, and Topmob Enterprises Pty Ltd. (which, as at the Latest Practicable Date, hold the 25% interests in Gemilang Australia upon trust for the family of Mr. Peter James Murley) as to 25%. Both Mr. Peter James Murley and Topmob Enterprises Pty Ltd. are Independent Third Parties.

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## FINANCIAL INFORMATION

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### Key terms of the GA Acquisition Agreement

#### *Consideration*

Pursuant to the GA Acquisition Agreement, the total consideration payable by Gemilang Asia Pacific is AU\$200 which is payable in cash upon completion. The total consideration is determined based on the par value of the 200 shares of AU\$1 each, having considered the net tangible liability position of Gemilang Australia.

Based on the Accountants' Report of Gemilang Australia, the net profits before taxation for the two years ended 31 October 2014 and 2015 were approximately AU\$259,000 and AU\$349,000 respectively, while the net profits after taxation for the two years ended 31 October 2014 and 2015 were approximately AU\$175,000 and AU\$238,000, respectively. Based on the Accountants' Report of Gemilang Australia, as at 31 October 2015, Gemilang Australia has an audited net liability of approximately AU\$598,000. For details, please refer to Appendix IB to this prospectus.

During the two years ended 31 October 2014 and 2015, Gemilang Australia's major revenue were from sales of bus and spare-parts and commission and service income received from our Group, being the marketing and sales services provided to our Group and after-sales services provided to customers in Australia and New Zealand.

#### *Conditions Precedent*

The completion of the GA Acquisition Agreement is conditional upon the satisfaction or waiver of certain conditions precedent, including (i) the execution of a shareholder's deed; (ii) the relevant acceptance of appointment of a process agent in Australia; (iii) the waiver of the pre-emption rights by existing shareholder for the transfer of shares; and (iv) the consent from banks that the GA Acquisition does not affect the rights and duties under any facilities granted.

#### *Completion Date*

Completion shall take place three business days after the satisfaction or waiver of the conditions precedent.

#### *Long Stop Date*

The long stop date for the GA Acquisition under the GA Acquisition Agreement is 31 August 2016.

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## FINANCIAL INFORMATION

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### **Reasons for and impact of the GA Acquisition**

The GA Acquisition would enable us to: (i) reduce our reliance to our Controlling Shareholders; (ii) further enhance our market presence in Australia and New Zealand, being one of our focuses in marketing our products; (iii) eliminate a potentially competing interest from our Controlling Shareholder; and (iv) maintain the quality of after-sales services in Australia and New Zealand in light the expected increase in our sales to Australia and New Zealand. In light of the above, our Directors are of the view that the GA Acquisition is in the best interest to us and our Shareholders as a whole.

After the aforesaid acquisition, Gemilang Australia became our associate company whose results would be recorded in the Group's financial statements using the equity method of accounting and any goodwill arising from the GA Acquisition will be accounted for in the investment cost of Gemilang Australia.

Our Directors (including the independent non-executive Directors) believe that the terms of the GA Acquisition Agreement are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

## FINANCIAL INFORMATION

### FINANCIAL INFORMATION OF GEMILANG AUSTRALIA

#### Results of operations

The following table sets out, for the period indicated, information relating to certain income and expense items included in the statement of profit and loss and other comprehensive income of Gemilang Australia, which are derived from, and should be read in conjunction with, the combined financial information set out in the Accountants' Report of Gemilang Australia sets out in Appendix IB to this prospectus.

	Year ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
	<i>AUS\$'000</i>	<i>AUS\$'000</i>	<i>AUS\$'000</i>	<i>AUS\$'000</i>	<i>AUS\$'000</i>
				(unaudited)	
<b>Revenue</b> . . . . .	1,131	782	1,537	222	741
Cost of sales . . . . .	(717)	(193)	(398)	(91)	(393)
<b>Gross profit</b> . . . . .	414	589	1,139	131	348
Other revenue . . . . .	—	78	5	—	—
General and administrative expenses . . . . .	(298)	(384)	(767)	(286)	(597)
Finance costs . . . . .	(30)	(24)	(28)	(13)	(12)
<b>Profit/(loss) before taxation</b> . . .	86	259	349	(168)	(261)
Income tax (expense)/credit . . . .	(27)	(84)	(111)	50	69
<b>Profit/(loss) for the year/period attributable to the equity owners of the Target Company</b> . . . . .	<b>59</b>	<b>175</b>	<b>238</b>	<b>(118)</b>	<b>(192)</b>

## FINANCIAL INFORMATION

The table below sets forth statements of financial position of Gemilang Australia as at the dates indicated.

	As at 31 October			As at 30 April
	2013	2014	2015	2016
	<i>AUS\$'000</i>	<i>AUS\$'000</i>	<i>AUS\$'000</i>	<i>AUS\$'000</i>
<b>Non-current assets</b>				
Property, plant and equipment . . . . .	2	1	17	15
Deferred tax assets . . . . .	—	26	82	151
	<u>2</u>	<u>27</u>	<u>99</u>	<u>166</u>
<b>Current assets</b>				
Inventories . . . . .	1	15	23	89
Trade and other receivables . . . . .	31	15	311	21
Amount due from a director . . . . .	1	20	56	89
Cash and bank balances . . . . .	11	1	20	106
	<u>44</u>	<u>51</u>	<u>410</u>	<u>305</u>
<b>Current liabilities</b>				
Trade and other payables . . . . .	503	293	349	723
Bank overdrafts . . . . .	249	240	204	—
Tax payable . . . . .	46	152	300	289
Amount due to a director . . . . .	63	73	53	53
Amount due to a related company . . . . .	196	118	76	—
	<u>1,057</u>	<u>876</u>	<u>982</u>	<u>1,065</u>
<b>Net current liabilities</b> . . . . .	<u>(1,013)</u>	<u>(825)</u>	<u>(572)</u>	<u>(760)</u>
<b>Total assets less current liabilities</b> . . . . .	<u>(1,011)</u>	<u>(798)</u>	<u>(473)</u>	<u>(594)</u>
<b>Non-current liability</b>				
Trade and other payable . . . . .	—	38	125	196
<b>Net liabilities</b> . . . . .	<u>(1,011)</u>	<u>(836)</u>	<u>(598)</u>	<u>(790)</u>
<b>Capital and reserves</b>				
Share capital . . . . .	—	—	—	—
Accumulated loss . . . . .	(1,011)	(836)	(598)	(790)
<b>Total equity attributable to equity owners of the Target Company</b> . . . . .	<u>(1,011)</u>	<u>(836)</u>	<u>(598)</u>	<u>(790)</u>

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## FINANCIAL INFORMATION

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### Revenue

The revenue of Gemilang Australia for the Track Record Period are from two major segments, namely sales of bus and spare-parts and commission and service income. There was approximately AU\$1.09 million and AU\$0.22 million of revenue of sales of bus and spare-parts during the year ended 31 October 2013 and 2014 respectively, while the remaining revenue were mainly attributable from commission and service income during the whole Track Record Period.

For the year ended 31 October 2013, Gemilang Australia was working with its joint venture partner, in which Gemilang Australia supplied whole buses to its joint venture partner and the joint venture partner acted as the sales agent, marketer and after-sales service provider in Australia and New Zealand, where they were the end customer of Gemilang Coachwork by purchasing complete bus units and selling these bus units to the joint venture partner. During the year ended 31 October 2014, there was a change in mode of business in Gemilang Australia, where it has ceased to work with its joint venture partner and began working as the sales agent for Gemilang Coachwork and also the after-sales service provider in Australia and New Zealand, in return for commission and other relevant payments.

For the three years ended 31 October 2015 and six months ended 30 April 2016, the revenue of Gemilang Australia amounted to approximately AU\$1.13 million, AU\$0.78 million, AU\$1.54 million and AU\$0.74 million, respectively. The drop in revenue for the year ended 31 October 2014 was a result that, being the first year after the change in business model, Gemilang Australia needed time to build up the business from the beginning.

Gemilang Australia's revenue increased by approximately AU\$0.76 million or 97.4% from approximately AU\$0.78 million for the year ended 31 October 2014 to AU\$1.54 million for the year ended 31 October 2015 as a result of an increase in sales of buses to Australia and New Zealand from Gemilang Coachwork which increased from US\$1.94 million for the year ended 31 October 2014 to US\$3.35 million for the year ended 31 October 2015. This resulted in the increase in commission and service income earned from Gemilang Coachwork as the latter's sales agent and also the after-sales service provider.

### Cost of sales

For the three years ended 31 October 2015 and six months ended 30 April 2016, the cost of sales of Gemilang Australia amounted to approximately AU\$0.72 million, AU\$0.19 million, AU\$0.40 million and AU\$0.39 million, respectively. Cost of sales largely consists of services incurred, freight charges and consumption of spare parts relating to after-sales service repairs and warranty.

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## FINANCIAL INFORMATION

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The cost of sales decreased by approximately AU\$0.53 million or 73.6% from approximately AU\$0.72 million for the year ended 31 October 2013 to approximately AU\$0.19 million for the year ended 31 October 2014 was a result that, being the first year after the change in business model, Gemilang Australia ceased purchasing bus units from Gemilang Coachwork and began operating as a sales agent and after-sales service provider, and therefore the cost of sales reduced significantly. This is because there is no cost of purchase of whole bus included in the cost of sales starting from year ended 31 October 2014.

The increase in cost of sales was noted from the year ended 31 October 2014 to the year ended 31 October 2015 and the six months ended 30 April 2015 to the six months ended 30 April 2016. Such increase was in line with the growth in revenue for the relevant periods.

### **General and Administrative expenses**

For the three years ended 31 October 2015 and six months ended 30 April 2016, the general and administrative expenses of Gemilang Australia amounted to approximately AU\$0.30 million, AU\$0.38 million, AU\$0.77 million and AU\$0.60 million, respectively. During the reported periods, the general and administrative expenses continue to increase as Gemilang Australia continues to explore and expand operation which requires the hiring of new staff.

### **Finance costs**

Finance costs of Gemilang Australia during the reported periods represented bank overdraft interest. As at 30 April 2016, all outstanding bank overdrafts have been repaid.

### **Income tax (expense)/credit**

Gemilang Australia is subject to income tax for profits generated by or derived from the jurisdictions where it operated. For the three years ended 31 October 2015, the income tax expense of Gemilang Australia amounted to approximately AU\$0.03 million, AU\$0.08 million and AU\$0.11 million, respectively, which is generally in line with the increasing trend of its profit for the three years ended 31 October 2015. For the six months ended 30 April 2016, Gemilang Australia recorded income tax credit recognised in respect of tax losses carried forward against future taxable income indefinitely. The effective tax rate of Gemilang Australia, was 31.4%, 32.4% and 31.8%, respectively, for the three years ended 31 October 2015.

### **Profit/loss for the year/period**

For the three years ended 31 October 2015, the profit of Gemilang Australia amounted to approximately AU\$0.06 million, AU\$0.18 million and AU\$0.24 million, respectively. For the six months ended 30 April 2016, Gemilang Australia recorded a loss of AU\$0.19 million. The loss was a result of the delivery of buses scheduled in the second half of the year and the increase in general and administrative expenses incurred for expansion and exploration of new area of operations.



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## FINANCIAL INFORMATION

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### **Inventories**

Inventories of Gemilang Australia comprises principally of spare parts which are to be used for after-sale service and warranty for all Australia and New Zealand customers. There is an increasing trend of inventories, as the number of bus sold are accumulated, Gemilang Australia needs to keep sufficient spare parts on hand in order to service customers when the need arises.

### **Trade and other receivables**

Trade and other receivables primarily relate to the trade receivables for commission and service earned on the buses sold to customers. For the three years ended 31 October 2015 and six months ended 30 April 2016, the trade and other receivables of Gemilang Australia amounted to approximately AU\$0.03 million, AU\$0.02 million, AU\$0.31 million and AU\$0.02 million, respectively.

The increase between 31 October 2014 and 2015 was primarily attributed to fees receivables on commission and service provided to Gemilang Coachwork as a result of an increase in sales of buses to Australia and New Zealand from Gemilang Coachwork which increased from US\$1.94 million for the year ended 31 October 2014 to US\$3.35 million for the year ended 31 October 2015.

### **Trade and other payables**

Trade and other payable comprises trade payables, other payables and accruals and deferred revenue. For the three years ended 31 October 2015 and six months ended 30 April 2016, the trade and other payables of Gemilang Australia amounted to approximately AU\$0.50 million, AU\$0.29 million, AU\$0.35 million and AU\$0.72 million, respectively.

The decrease in trade and other payables as at 31 October 2013 to that as at 31 October 2014 is mainly due to the change of business model, whereby Gemilang Australia ceased purchasing bus units from Gemilang Coachwork and began operating as a sales agent and after-sales service provider. This change resulted in less costs associate with purchase of buses and thus reducing its trade payables which was in line with the decrease in cost of sales.

The increase in trade and other payables as at 31 October 2014 to that as at 31 October 2015 and to that as at 30 April 2016 mainly resulted in a general increase in deferred revenue throughout the periods. Deferred revenue mainly comprises service fees received in advance and payments received in advance for services in relation to the after-sales services. They are recognised as revenue over the period to which the services relate. As the business was started to grow from the year ended 31 October 2014 onwards, the deferred revenue would be accumulated throughout the period which was consistent on the increased in revenue of the corresponding periods. The non-current portion of trade and other payables refers to the portion of deferred revenue which are over one year.

## FINANCIAL INFORMATION

### Amount due from a director/amount due to a director

	As at 31 October			As at 30 April
	2013	2014	2015	2016
	<i>AUS\$'000</i>	<i>AUS\$'000</i>	<i>AUS\$'000</i>	<i>AUS\$'000</i>
Amount due from a director				
— Mr. Peter James Murley . . . . .	1	20	56	89
Amount due to a director				
— Mr. CY Pang . . . . .	63	73	53	53

Amounts due from a director represented the amount of loan to the relevant director, which are non-trade related and represent the unsecured, interest-free and repayable on demand cash advances to the director. All amount due from Mr. Peter James Murley will be settled before Listing.

Amounts due to a director represented the amount of loan to Gemilang Australia, which are non-trade related and represent the unsecured, interest-free, and repayable on demand cash advances to Gemilang Australia incurred mainly as a result of general working capital usage. All amount due to Mr. CY. Pang will be settled before Listing.

### Cash and bank balance

Cash and bank balance as at 30 April 2016 amounted to approximately AU\$0.11 million, which has increased compared to the balances of AU\$0.01 million as at 31 October 2013, AU\$0.001 million as at 31 October 2014 and AU\$0.02 million as at 31 October 2015, respectively. Detail analysis on cash flow statements would be performed under the section named “Cash Flows”.

### Bank overdrafts

Bank overdrafts are bank loans drawn for use as general working capital. The table below set forth breakdown of bank overdrafts of Gemilang Australia as of the date indicated:

	As at 31 October			As at 30 April
	2013	2014	2015	2016
	<i>AUS\$'000</i>	<i>AUS\$'000</i>	<i>AUS\$'000</i>	<i>AUS\$'000</i>
Bank overdrafts . . . . .	249	240	204	—

Save for the bank overdrafts as at the dated indicated, Gemilang Australia has no other bank borrowings. As at 30 April 2016, all the bank overdrafts have been repaid.

### Related party transactions

For information relating to the related party transactions of Gemilang Australia, please refer to Note 20 of the Accountants’ Report of Gemilang Australia set out in Appendix 1B to this prospectus.

## FINANCIAL INFORMATION

### Share capital

The share capital of Gemilang Australia has remained at AU\$400 throughout the periods.

### Cash Flows

The following table sets out a summary of the cash flow statements of Gemilang Australia for the periods indicated: The table below sets forth statement of cash flows of Gemilang Australia for the periods indicated.

	Year ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
	<i>AU\$'000</i>	<i>AU\$'000</i>	<i>AU\$'000</i>	<i>AU\$'000</i>	<i>AU\$'000</i>
				(unaudited)	
Net cash flows (used in)					
generated from operating					
activities . . . . .	(64)	131	219	7	445
Net cash flows used in investing					
activities . . . . .	—	—	(17)	—	(2)
Net cash flows generated from					
(used in) financing activities . .	34	(132)	(147)	(90)	(153)
Net increase (decrease) in cash					
and cash equivalents . . . . .	(30)	(1)	55	(83)	290
Cash and cash equivalents at the					
beginning of the financial					
year/period . . . . .	(208)	(238)	(239)	(239)	(184)
Cash and cash equivalents at the					
end of the financial					
year/period . . . . .	<u>(238)</u>	<u>(239)</u>	<u>(184)</u>	<u>(322)</u>	<u>106</u>

#### *Net cash flows (used in) generated from operating activities*

Cash generated from operating activities consisted primarily of Gemilang Australia's profit for the year, adjusted by income tax paid and non-cash items, such as depreciation of property, plant and equipment and adjusted by changes in working capital, such as trade and other receivables and trade and other payables.

For the year ended 31 October 2013, the net cash used in operating activities of approximately AU\$0.06 million, which was primarily contributed by an increase in inventories of approximately AU\$0.02 million and a decrease in trade and other payables of approximately AU\$0.3 million. These cash outflows were offset by operating cash flows before movements in working capital of approximately AU\$0.14 million and a decrease in trade and other receivables of approximately AU\$0.1 million.

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## FINANCIAL INFORMATION

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For the year ended 31 October 2014, the net cash generated from operating activities of approximately AU\$0.13 million, which was primarily contributed by operating cash flows before movements in working capital of approximately AU\$0.31 million. These cash inflows were offset by an increase in inventories of approximately AU\$0.01 million and a decrease in trade and other payables of approximately AU\$0.17 million.

For the year ended 31 October 2015, the net cash generated from operating activities of approximately AU\$0.22 million, which was primarily contributed by operating cash flows before movements in working capital of approximately AU\$0.45 million and an increase in trade and other payables of approximately AU\$0.14 million. These cash inflows were offset by an increase in inventories of approximately AU\$0.06 million and an increase in trade and other receivables of approximately AU\$0.30 million.

For the six months ended 30 April 2015, Gemilang Australia recorded net cash generated from operating activities of approximately AU\$0.007 million, which was primarily contributed by an increase in inventories of approximately AU\$0.02 million, an increase in trade and other payables of approximately AU\$0.43 million. These cash inflows were offset by operating cash flows before movements in working capital of AU\$0.15 million and an increase in trade and other receivables of AU\$0.25 million.

For the six months ended 30 April 2016, Gemilang Australia recorded net cash generated from operating activities of approximately AU\$0.45 million, which was primarily contributed by a decrease in trade and other receivables of approximately AU\$0.29 million and an increase in trade and other payables of approximately AU\$0.45 million. These cash inflows were offset by operating cash flows before movements in working capital of approximately AU\$0.17 million and an increase in inventories of approximately AU\$0.11 million.

### *Net cash flows used in investing activities*

For the three years ended 31 October 2015 and the six months ended 30 April 2015 and 2016, cash outflows from investing activities primarily accounted for payment for purchase of office equipment for Gemilang Australia.

### *Net cash flows generated from/used in financing activities*

For the year ended 31 October 2013, Gemilang Australia recorded net cash generated from financing activities due to changes in current accounts with directors and set off by payment of finance costs. For the two years ended 31 October 2015 and the six months ended 30 April 2015 and 2016, Gemilang Australia recorded cash outflows used in financing activities primarily attributable to change in current accounts with directors and a related party.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

Please refer to the sections headed “Business — Business strategies” of this prospectus for a detailed description of our future plans.

### REASONS FOR LISTING AND USE OF PROCEEDS

We consider the Listing would allow us to further strengthen our capital base, thereby equipping us with necessary financial capability for future expansion. Our Directors consider that Hong Kong is an international financial center and the stock market in Hong Kong is well established and highly recognised internationally. Listing in Hong Kong will allow us to have greater exposure to international financial community, which may open up a new channel of financing. At the same time, in view of our strategy of increasing our market presence in Hong Kong, China, Australia and New Zealand markets and as a regional player, a listing in Hong Kong would promote our corporate identity, enhance our profile and credibility globally, especially in Asia Pacific region. Moreover, a listing platform would enable us to retain and attract suitable calibers so that we could build ourselves towards our objectives.

We estimate that we will receive total net proceeds from the Global Offering and Pre-IPO Investments of approximately HK\$69.93 million or approximately US\$9.01 million after deducting underwriting commission and other estimated expenses paid and payable by us in the Global Offering without taking into account any additional discretionary incentive fee, assuming no Offer Size Adjustment Option is exercised and an Offer Price of HK\$1.31 per Share, being the mid-point of the indicative Offer Price range of HK\$1.20 to HK\$1.42 per Share. We intend to use the net proceeds we receive from the Global Offering and Pre-IPO Investments for the following purposes:

- approximately 53.7% (approximately HK\$37.55 million or approximately US\$4.84 million), will be used for the construction of the new facility in Senai, Malaysia, which is expected to be in full operation by 2017. The planned allocation of this portion of the net proceeds is as follows:
  - approximately HK\$15.67 million or approximately US\$2.02 million will be used to repay the banking facilities drawn for the financing of the construction of the new facility and purchase of three pieces of land. The details of these banking facilities are as follow:

## FUTURE PLANS AND USE OF PROCEEDS

	Purpose	Interest rate	Maturity
1	Purchase of land	1.8% below bank's base lending rate of 6.85%	1 December 2025
2	Purchase of land	1.8% below bank's base lending rate of 6.85%	1 December 2025
3	Purchase of land	1.8% below bank's base lending rate of 6.85%	1 December 2025
4	Construction of the facility	1.8% below bank's base lending rate of 6.85%	15 years from the date of draw down

— approximately HK\$12.47 million or approximately US\$1.61 million will be used to purchase new machines and equipment; and

— approximately HK\$9.41 million or approximately US\$1.21 million will be used for the initial set up cost of the new facility.

- approximately 10.1% (approximately HK\$7.04 million or approximately US\$0.91 million), will be used for upgrading existing machineries and acquiring additional cutting machines and other types of machinery in these two years in order to cope with our business expansion and increase our overall production efficiency and capacity. The planned allocation of this portion of the net proceeds is as follows:

For the year ended 31 October	Type of machinery	Number of unit	Amount <i>HK\$</i>
2017.....	Electrical torque wrench	10	855,000
2017.....	Water test and washing	1	2,827,000
2017.....	Glass lifter booth	2	272,000
2017.....	Paint and preparation booth	2	1,836,000
2017.....	Prototyping booth	1	1,000,000
2017.....	Lifter	2	250,000

- approximately 27.2% (approximately HK\$19.0 million or approximately US\$2.45 million), will be used to repay a bank loan with the principal amount of MYR10 million (equivalent to approximately HK\$19 million), which is to improve our capital structure. The bank loan carries an interest rate of 1.25% above the bank's base lending rate per annum and is of a revolving nature; and
- approximately 9.0% (approximately HK\$6.34 million or approximately US\$0.82 million) to apply towards our general working capital.

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## **FUTURE PLANS AND USE OF PROCEEDS**

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In the event that the Offer Size Adjustment Option is exercised in full, the additional net proceeds of about HK\$12.28 million (assuming that the Offer Price is determined at the mid-point of the stated range) will be applied by us for the above purposes in the same proportions as set out above.

If the Offer Price is fixed above or below HK\$1.31 per Share (being the mid-point of the estimated price range), our Directors presently intend to adjust the allocation of the net proceeds for the above purposes in the same proportions as set out above.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes, our Directors presently intend that such proceeds will be placed on short-term deposits with licensed banks or financial institutions so long as it is deemed to be in the interests of the Company.

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## UNDERWRITING

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### HONG KONG UNDERWRITERS (In alphabetical order)

#### Joint Lead Managers

Alliance Capital Partners Limited

Upbest Securities Company Limited

#### Co-lead Managers

Bonus Eventus Securities Limited

Caitong International Securities Co., Limited

First Shanghai Securities Limited

Fulbright Securities Limited

Somerley Capital Limited

### UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis on the terms and conditions set out in this prospectus, the related Application Forms and the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed among the Company and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 6,250,000 Hong Kong Public Offer Shares and the International Offering of initially 56,250,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in “Structure of the Global Offering” as well as to the Offer Size Adjustment Option in the case of the International Offering.



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## UNDERWRITING

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### RESTRICTIONS ON THE OFFER SHARES

Each person acquiring the Hong Kong Public Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his or her acquisition of the Hong Kong Public Offer Shares to, confirm that he or she is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Hong Kong Public Offering

##### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, our Company is initially offering 6,250,000 Shares for subscription by the public in Hong Kong at the Offer Price on and subject to the terms and conditions set out in this prospectus and the related Application Forms.

Subject to (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be made available pursuant to the exercise of the Offer Size Adjustment Option) and the options which may be granted under the Share Option Scheme and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement (including, among others, the Joint Global Coordinators (on behalf of the Underwriters) and our Company agreeing on the Offer Price), the Hong Kong Underwriters have agreed, severally but not jointly or jointly and severally, to subscribe or procure subscribers for their respective applicable proportions (set out in the Hong Kong Underwriting Agreement) of the Hong Kong Public Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering, on the terms and the conditions set out in this prospectus, the related Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed, becoming unconditional and not having been terminated.

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## UNDERWRITING

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### *Grounds for Termination of the Hong Kong Underwriting Agreement*

The respective obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Public Offer Shares will be subject to termination with immediate effect by the Joint Global Coordinators for themselves and on behalf of the Hong Kong Underwriters if any of the following events occurs prior to 8:00 a.m. on the Listing Date:

- (a) there shall develop, occur, exist or come into effect:
  - (i) any change or prospective change (whether or not permanent) in the business or in the financial or trading position of the Group; or
  - (ii) any change or development involving a prospective change or development, or any event or series of events resulting or representing or likely to result in any change or development involving a prospective change or deterioration (whether or not permanent) in local, national, regional or international financial, political, military, industrial, economic, legal framework, regulatory, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of Hong Kong, Singapore, Malaysia, Australia, the Cayman Islands, the BVI or any other jurisdictions where any member of the Group is incorporated or operates (collectively, the “**Relevant Jurisdictions**”); or
  - (iii) any deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting any of the Relevant Jurisdictions; or
  - (iv) any new laws or any change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental authority in or affecting any of the Relevant Jurisdictions; or
  - (v) a change or development or event involving a prospective change in taxation or exchange control (or the implementation of any exchange control) or foreign investment regulations in or affecting any of the Relevant Jurisdictions adversely affecting an investment in shares; or
  - (vi) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting any of the Relevant Jurisdictions; or

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## UNDERWRITING

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- (vii) any event, act or omission which gives rise or is likely to give rise to any liability of any of the Company, our Controlling Shareholders and our executive Directors under the Hong Kong Underwriting Agreement pursuant to the indemnities contained therein; or
- (viii) (i) any suspension or restriction on dealings in shares or securities generally on the Stock Exchange or (ii) any moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (ix) the imposition of economic or other sanctions, in whatever form, directly or indirectly, in or affecting any of the Relevant Jurisdictions; or
- (x) any event or series of events, in the nature of force majeure (including without limitation, any acts of God, acts of government, declaration of a national or international emergency or war, acts or threats of war, calamity, crisis, economic sanction, riot, public disorder, civil commotion, fire, flooding, explosion, epidemic (including but not limited to severe acute respiratory syndrome or avian flu), pandemic, outbreak of disease, terrorism, strike or lockout) in or affecting any of the Relevant Jurisdictions; or
- (xi) any change or development involving a prospective change, or a materialisation of any of the risks set out in the section headed “Risk factors” of this prospectus; or
- (xii) any change in the system under which the value of the Hong Kong dollar is linked to that of the US dollar or a material devaluation of the Hong Kong dollar against any foreign currency; or
- (xiii) any demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or
- (xiv) save as disclosed in this prospectus, a contravention by any member of the Group of the Listing Rules or applicable laws; or
- (xv) a prohibition on the Company for whatever reason from allotting the Shares pursuant to the terms of the Global Offering; or
- (xvi) non-compliance in this prospectus or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or

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## UNDERWRITING

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- (xvii) an order or petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group;
- (xviii) any material loss or damage sustained by any member of the Group; or
- (xix) save as disclosed in this prospectus, any litigation or claim of material importance of any third party being instigated against any member of the Group; or
- (xx) a Director being charged with an indictable offence or prohibited by the operation of law or otherwise disqualified from taking part in the management of a company; or
- (xxi) the chairman or president of the Company vacating his office; or
- (xxii) the commencement by any governmental, regulatory or judicial body or organisation of any action against a Director or an announcement by any governmental, regulatory or judicial body or organisation that it intends to take any such action; or
- (xxiii) any matter or event resulting in a breach of any of the warranties, representations or undertakings contained in the Hong Kong Underwriting Agreement or there has been a material breach of any other provisions thereof; or
- (xxiv) the issue or requirement to issue by the Company of a supplement or amendment to this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC,

which in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

- (A) is or will or may have a material adverse effect on the business, financial, trading or other condition or prospects of the Group taken as a whole, or

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## UNDERWRITING

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- (B) has or will or may have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares, or
  - (C) is or will or may make it impracticable, inadvisable, inexpedient or not commercially viable (i) for any material part of the Hong Kong Underwriting Agreement, the International Underwriting Agreement, and/or the Global Offering to be performed or implemented in accordance with its terms or (ii) to proceed with or to market the Global Offering on the terms and in the manner contemplated in this prospectus, or
- (b) the Joint Global Coordinators or any of the Hong Kong Underwriters shall become aware of the fact that, or have cause to believe that:
- (i) any of the warranties given by the Company, our Controlling Shareholders and our executive Directors under the Hong Kong Underwriting Agreement or pursuant to the International Underwriting Agreement is inaccurate, misleading or breached in any material respect when given or as repeated, or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable in any material respect; or
  - (ii) any statement contained in this prospectus, the Application Forms, the Formal Notice or any announcement or advertisement issued by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or is untrue, incorrect or misleading in any material respect, or any matter arises or is discovered which would, if the relevant document was to be issued at that time, constitute a material omission therefrom, or that any forecasts, expressions of opinion, intention or expectation expressed in the relevant document are not, in all material aspects, fair and honest and based on reasonable assumptions, when taken as a whole; or
  - (iii) there has been a material breach on the part of any of the Company, our Controlling Shareholders and our executive Directors of any of the obligations of the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
  - (iv) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, constitute a material omission therefrom; or

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## UNDERWRITING

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- (v) any material adverse change or development involving a prospective change in the assets, liabilities, conditions, business affairs, prospects, profits, losses or financial or trading position or performance of any member of the Group; or
- (vi) approval by the Listing Committee of the listing of, and permission to deal in, the Offer Shares to be issued or sold (including any additional Offer Shares that may be issued or sold pursuant to the exercise of the Offer Size Adjustment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (vii) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

Upon the occurrence of any event as above provided, the Joint Global Coordinators, in their absolute discretion, may, for themselves and on behalf of the Hong Kong Underwriters, upon giving notice, orally or in writing, to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

### **Undertakings**

#### ***Undertakings to the Stock Exchange pursuant to the Listing Rules***

##### *Undertakings by our Company*

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further shares or securities convertible into our equity securities may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of shares or our securities will be completed within six months from the commencement of dealing), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

##### *Undertakings by our Controlling Shareholders*

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and us that, except pursuant to the Global Offering and the Offer Size Adjustment Option, it shall not and shall procure that the relevant registered holder shall not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the Listing Rules:

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## UNDERWRITING

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- (a) in the period commencing on the date with reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those shares or securities of the Company in respect of which it is shown by this prospectus to be the beneficial owner; or
- (b) in the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the shares or securities referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling Shareholder of our Company.

In addition, in accordance with Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has also undertaken to the Stock Exchange, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and us that, within the period commencing on the date with reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, he or it will immediately inform us of:

- (a) any pledges or charges of any Shares or other securities of the Company beneficially owned by any of the Controlling Shareholders in favour of any authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules for a bona fide commercial loan, and the number of such Shares or securities of the Company so pledged or charged; and
- (b) when he or it or the relevant requested holders receive indication, either verbal or written, from any pledgee or chargee of any Shares or other securities of the Company pledged or charged that any of such Shares or securities will be disposed of.

We shall inform the Stock Exchange and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) upon receiving such information in writing from any of our Controlling Shareholders (if any) and disclose such information by way of an announcement which is published in accordance with the Listing Rules.

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## UNDERWRITING

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### *Undertakings by our Company pursuant to the Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to each of the Joint Global Coordinators, the Sole Sponsor and the Hong Kong Underwriters that, except pursuant to the Global Offering (including pursuant to the Offer Size Adjustment Option) and unless in compliance with the requirements of the Listing Rules, we shall not:

- (a) without the prior written consents of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement up to, and including, the First Six-month Period offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the Company or any of its affiliates, either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or any voting right or any other right attaching thereto or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction, except pursuant to the Global Offering, the loan capitalisation issue or the exercise of the subscription rights attaching to the Offer Size Adjustment Option or any options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules or under Note 2 to Rule 10.07(2) of the Listing Rules;
- (b) issue or create any mortgage, pledge, charge or security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of the Company) or repurchase any Shares or securities of the Company or grant any options, warrants or other rights to subscribe for any Shares or other securities of the Company or agree to do any of the foregoing, except pursuant to the Global Offering, the loan capitalisation issue or the exercise of the subscription rights attaching to the Offer Size Adjustment Option or any options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules or under Note 2 to Rule 10.07(2) of the Listing Rules;



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## UNDERWRITING

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- (c) not at any time within the Second Six-month Period do any of the acts set out in (a) and (b) above or such that any of our Controlling Shareholders, directly or indirectly, would cease to be a Controlling Shareholder of the Company (within the meaning defined in the Listing Rules).

In the event that we do any of the acts set out in (a) and (b) above after the expiry of the First Six-month Period or the Second Six-month Period (as the case may be), we shall take all steps to ensure that any such act shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

### *Undertakings by our Controlling Shareholders pursuant to the Hong Kong Underwriting Agreement*

Each of our Controlling Shareholders has undertaken to each of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, save as pursuant to the Global Offering and unless in compliance with the Listing Rules, he or it shall not, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), directly or indirectly, and shall procure that none of his or its close associates or companies controlled by him or it or any nominee or trustee holding in trust for him or it shall, during the First Six-month Period:

- (a) offer for sale, sell, transfer, contract to sell, or otherwise dispose of (including without limitation by the creation of any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charges, pledges or encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise)) any of the Shares (or any interest therein or any of the voting or other rights attaching thereto) in respect of which he or it is shown in this prospectus to be the beneficial owner (directly or indirectly) or any other securities convertible into or exchangeable for or which carry a right to subscribe, purchase or acquire any Shares (or any interest therein or any of the voting or other rights attaching thereto); or
- (b) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Shares (or any interest therein or any of the voting rights or other rights attaching thereto) or such securities, at any time during the First Six-month Period, save as provided under Note 2 to Rule 10.07(2) of the Listing Rules and subject always to compliance with the provisions of the Listing Rules.

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## UNDERWRITING

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In the event of a disposal of any Shares (or any interest therein or any of the voting or other rights attaching thereto) or securities at any time during the Second Six-month Period, (i) such disposal shall not result in any of the Controlling Shareholders ceasing to be a Controlling Shareholder of the Company at any time during the Second Six-month Period; and (ii) he or it shall take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of the Company or any interest therein.

Without limiting the above, each of our Controlling Shareholders has further undertaken to each of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, he or it shall, at any time during the First Six-Month Period and the Second Six-Month Period:

- (a) if and when he or it pledges or charges, directly or indirectly, any Shares (or any interest therein or any of the voting rights or other rights attaching thereto) or other securities of the Company beneficially owned by him or it (or any beneficial interest therein), immediately inform our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (b) if and when he or it receives indications, either verbal or written, from any pledgee or chargee that any Shares (or any interest therein or any of the voting rights or other rights attaching thereto) or other securities of the Company (or any beneficial interest therein) pledged or charged by him or it will be disposed of, immediately inform our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters in writing of such indications.

### **International Offering**

In connection with the International Offering, it is expected that our Company will enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, it is expected that the International Underwriters would, subject to certain conditions, severally but not jointly, agree to purchase the International Offer Shares being offered pursuant to the International Offering or procure purchasers for their respective applicable proportions of International Offering Shares.

Under the International Underwriting Agreement, our Company intends to grant to the International Underwriters the Offer Size Adjustment Option, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at any time before 5:00 p.m. on the business day before the date of announcement of the results of applications and the basis of allotment of Hong Kong Public Offer Shares (otherwise it will lapse), to require us to issue an aggregate of 9,375,000 additional Shares, representing approximately 15% of the number of Offer Shares initially available under the Global Offering. These additional Shares will be sold at the Offer Price per Offer

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## UNDERWRITING

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Share (plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% of the Offer Price) and will be for the purpose of, among other things, covering over-allocations, if any, in the International Offering.

### **Commissions and Expenses**

According to the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive an underwriting commission of 3.5% of the aggregate Offer Price payable for the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Public Offer Shares reallocated to the International Offering, if any, our Company will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the Joint Bookrunners and the relevant International Underwriters (but not the Hong Kong Underwriters).

Assuming an Offer Price of HK\$1.31 per Offer Share (being the midpoint of the indicative offer price range of HK\$1.20 to HK\$1.42 per Offer Share), the aggregate commissions and maximum incentive fees, together with the Stock Exchange listing fee, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees, printing and other expense relating to the Global Offering, are estimated to amount to approximately HK\$26.4 million (assuming that the Offer Size Adjustment Option is not exercised) in total.

The commission and expenses were determined after arm's length negotiations between the Company and the Hong Kong Underwriters by reference to the current market conditions.

### **Indemnity**

We have agreed to indemnify the Joint Global Coordinators, the Joint Bookrunners, the Sole Sponsor, the Joint Lead Managers and Hong Kong Underwriters for certain losses which they may suffer, including, among other matters, losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

### **Hong Kong Underwriters' Interests**

Except as disclosed in this prospectus and except for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in our Company or in any of our subsidiaries or has any right, legally enforceable or not, to subscribe for or to nominate persons to subscribe for our securities or securities of any of our subsidiaries.

Following the completion of the Global Offering, the Underwriters and their affiliates may hold a certain portion of our Shares in connection with the performance of their obligations under the Underwriting Agreements.

### **Sole Sponsor' Independence**

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering which forms part of the Global Offering. The Global Offering comprises (assuming the Offer Size Adjustment Option is not exercised):

- the Hong Kong Public Offering of initially 6,250,000 Shares (subject to adjustment as mentioned below) (representing 10% of the initial total number of Offer Shares) in Hong Kong as described in the paragraph headed “The Hong Kong Public Offering” in this section; and
- the International Offering of initially 56,250,000 Shares (subject to adjustment and the Offer Size Adjustment Option as mentioned below) (representing 90% of the initial total number of Offer Shares) as described below under the paragraph headed “The International Offering” in this section.

Investors may apply for Hong Kong Public Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest in International Offering Shares under the International Offering, but may not do both.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, respectively, may be subject to reallocation and, in the case of the International Offering only, the Offer Size Adjustment Option as described below in the paragraph headed “Offer Size Adjustment Option” in this section.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Global Coordinators (on behalf of the Underwriters), agreeing on the Offer Price. Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date. These underwriting arrangements, and the respective Underwriting Agreements, are summarised in the section headed “Underwriting.”

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# STRUCTURE OF THE GLOBAL OFFERING

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## THE HONG KONG PUBLIC OFFERING

### Number of Shares Initially Offered

Under the Hong Kong Public Offering, our Company is initially offering 6,250,000 Shares at the Offer Price for subscription by the public in Hong Kong, representing 10% of the total number of Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between (i) the International Offering and (ii) the Hong Kong Public Offering, the Hong Kong Public Offer Shares will represent 25% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Offer Size Adjustment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed "Conditions of the Hong Kong Public Offering" in this section.

### Conditions of the Hong Kong Public Offering

Acceptance of all applications for the Hong Kong Public Offer Shares in the Hong Kong Public Offering will be conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares to be issued pursuant to the Global Offering (including any Shares which may be made available pursuant to the exercise of the Offer Size Adjustment Option), and the options which may be granted under the Post-IPO Share Option Scheme, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (ii) the Offer Price having been fixed on or around the Price Determination Date;
- (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

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## STRUCTURE OF THE GLOBAL OFFERING

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- (iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event no later than Friday, 11 November 2016.

**If, for any reason, the Offer Price is not agreed on or before Monday, 7 November 2016 between our Company and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed and will lapse.**

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming and remaining unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by us in The Standard (in English) and the Hong Kong Economic Journal (in Chinese) on the next business day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in “How to apply for Hong Kong Public Offer Shares.” In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

**Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Friday, 11 November 2016 provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the section headed “Underwriting — Underwriting arrangements and expenses — The Hong Kong Public Offering — Grounds for termination of the Hong Kong Underwriting Agreement” has not been exercised.**

### **Allocation**

Allocation of Hong Kong Public Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

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## STRUCTURE OF THE GLOBAL OFFERING

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Multiple or suspected multiple applications and any application for more than 6,250,000 Shares (being 100% of the Hong Kong Public Offer Shares initially comprised in the Hong Kong Public Offering) are liable to be rejected.

### **Reallocation**

Paragraph 4.2 of the Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Public Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached as further described below:

- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then no Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 6,250,000 Offer Shares, representing 10% of the Offer Shares initially available under the Global Offering;
- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 18,750,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;
- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 25,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and

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## STRUCTURE OF THE GLOBAL OFFERING

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- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 31,250,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators. If either the Hong Kong Public Offering or the International Offering is not fully subscribed for, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Offer Shares from such offering to the other, in such proportions as the Joint Global Coordinators deem appropriate.

### **Applications**

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he or she has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$2,868.62 per Hong Kong Public Offer Share including any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Hong Kong Public Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing of the Global Offering" in this section below, is less than the maximum price of HK\$1.42 per Hong Kong Public Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in "How to apply for Hong Kong Public Offer Shares."

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.



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# STRUCTURE OF THE GLOBAL OFFERING

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## THE INTERNATIONAL OFFERING

### Number of Shares offered

Subject to reallocation as described above, the International Offering will consist of 56,250,000 Shares, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering, assuming that the Offer Size Adjustment Option is not exercised. Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Offer Shares initially offered under the International Offering will represent approximately 25% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Offer Size Adjustment Option is not exercised.

### Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing of the Global Offering" in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit, of our Company and our Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

### Offer Size Adjustment Option

In connection with the Global Offering, the Company is expected to grant the Offer Size Adjustment Option to the International Underwriters exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

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## STRUCTURE OF THE GLOBAL OFFERING

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Pursuant to the Offer Size Adjustment Option, the Joint Global Coordinators shall have the right, exercisable at any time before 5:00 p.m. on the business day immediately before the date of announcement of the results of applications and the basis of allotment of Hong Kong Public Offer Shares (otherwise it will lapse), to require the Company to issue up to 9,375,000 additional Shares, representing approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering, to cover over-allocations in the International Offering, if any. The Offer Size Adjustment Option will not be used for price stabilisation purpose in the secondary market after listing of the Shares on the Stock Exchange and is not subject to the Securities and Futures (Price Stabilizing) Rules of the SFO. If the Offer Size Adjustment Option is exercised in full, the additional Shares and the Offer Shares will represent approximately 3.61% and 27.71% respectively of our enlarged issued share capital immediately following the completion of the Global Offering and the exercise of the Offer Size Adjustment Option.

The Company will disclose in the announcement of the results of the applications and the basis of allocation of the Hong Kong Public Offer Shares whether, and to what extent, the Offer Size Adjustment Option has been exercised. In the event that the Offer Size Adjustment Option has not been exercised by the Joint Global Coordinators, the Company will confirm in such announcement that the Offer Size Adjustment Option has lapsed and cannot be exercised at any future date.

### PRICING OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of the Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Friday, 4 November 2016, and in any event on or before Monday, 7 November, 2016, by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$1.42 per Offer Share and is expected to be not less than HK\$1.20 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

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## STRUCTURE OF THE GLOBAL OFFERING

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The Joint Global Coordinators (on behalf of the Underwriters), may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in The Standard (in English) and the Hong Kong Economic Journal (in Chinese) and on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.gml.com.my](http://www.gml.com.my), an announcement, or a supplemental prospectus (as appropriate), in connection with such reduction. Upon issue of such an announcement or supplemental prospectus (as appropriate), the revised number of Offer Shares and/or indicative Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. **Applicants should have regard to the possibility that any announcement or supplemental prospectus (as appropriate) in connection with any such reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.** Such announcement or supplemental prospectus (as appropriate) will also include confirmation or revision, as appropriate, of the working capital statement, the use of proceeds and the Global Offering statistics as currently set out in this prospectus and any other financial information which may change as a result of such reduction. If the number of Offer Shares and/or the indicative Offer Price range is so reduced, applicant(s) who have already submitted an application may or may not (depending on the information contained in the announcement or supplemental prospectus (as appropriate)) be notified that they are required to confirm their applications. All applicant(s) who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement or supplemental prospectus (as appropriate) and all unconfirmed applications will not be valid. In the absence of any such notice or supplemental prospectus (as appropriate) published in relation to the reduction in the Offer Price, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by our Company and the Joint Global Coordinators (on behalf of the Underwriters) will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting fees, brokerage, SFC transaction levy, the Stock Exchange trading fees and estimated expenses payable by our Company in relation to the Global Offering, assuming the Offer Size Adjustment Option is not exercised) are estimated to be approximately HK\$26.47 million, assuming an Offer Price per Offer Share of HK\$1.20, or approximately HK\$26.94 million, assuming an Offer Price per Offer Share of HK\$1.42.

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## STRUCTURE OF THE GLOBAL OFFERING

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The final Offer Price, the indications of interest in the Global Offering, the results of applications and the basis of allotment of Hong Kong Public Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Thursday, 10 November 2016, in the manner set out in the paragraph “How to apply for Hong Kong Public Offer Shares — Publication of results” of this prospectus.

### DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 11 November 2016, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 11 November 2016.

The Shares will be traded in board lots of 2,000 Shares each.

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# HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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## 1. HOW TO APPLY

If you apply for Hong Kong Public Offer Shares, then you may not apply for or indicate an interest for International Offering Shares.

To apply for Hong Kong Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at [www.hkeipo.hk](http://www.hkeipo.hk); or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators (on behalf of the Underwriters), the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

## 2. WHO CAN APPLY

You can apply for Hong Kong Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

### 3. APPLYING FOR HONG KONG PUBLIC OFFER SHARES

#### Which Application Channel to Use

For Hong Kong Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through [www.hkeipo.hk](http://www.hkeipo.hk).

For Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. on Monday, 31 October 2016 until 12:00 noon on Thursday, 3 November 2016:

- (i) any of the following offices of the Underwriters:

<b>Underwriters</b>	<b>Address</b>
Alliance Capital Partners Limited	Room 1502-1503A, Wing On House 71 Des Voeux Road Central Hong Kong
Upbest Securities Company Limited	2/F Wah Kit Commercial Centre 302 Des Voeux Road Central Hong Kong
Bonus Eventus Securities Limited	Room 1707, 17th floor, Tower II Admiralty Centre, 18 Harcourt Road, Admiralty Hong Kong
Caitong International Securities Co., Limited	Unit 2401-03, 24/F, Grand Millennium Plaza 181 Queen's Road Central Hong Kong
First Shanghai Securities Limited	19/F., Wing On House 71 Des Voeux Road Central Hong Kong
Fulbright Securities Limited	33/F COSCO Tower Grand Millennium Plaza 183 Queen's Road, Central Hong Kong
Somerley Capital Limited	20/F, China Building, 29 Queen's Road Central Hong Kong

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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- (ii) any of the following sub-branches of Bank of Communications Co., Ltd. Hong Kong Branch:

<b>District</b>	<b>Sub-Branch Name</b>	<b>Address</b>
Hong Kong Island	Central District Sub-Branch	G/F. Far East Consortium Building 125A Des Voeux Road C. Central
	Quarry Bay Sub-Branch	Shops 3 and 4 on G/F. 981A-981F King's Road Chung Hing Mansion Quarry Bay
Kowloon	Mongkok Sub-Branch	G/F. and 1/F. Shun Wah Building Nos.735 & 735A Nathan Road Mongkok
	Kwun Tong Sub-Branch	Shop E, Block G & H, G/F. East Sun Industrial Centre 16 Shing Yip Street Kwun Tong
New Territories	Tseung Kwan O Sub-Branch	Shop Nos. 252A, 252B & 253 on Level 2 Metro City Phase I Tseung Kwan O
	Sha Tsui Road Sub-Branch	Shops Nos. 3-5 on G/F. Kwong Ming Building 120-130 Sha Tsui Road Tsuen Wan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 31 October 2016 until 12:00 noon on Thursday, 3 November 2016 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.



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# HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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## Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of Communications (Nominee) Co. Ltd. — Gemilang International Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- 9:00 a.m. to 5:00 p.m. on Monday, 31 October 2016.
- 9:00 a.m. to 5:00 p.m. on Tuesday, 1 November 2016.
- 9:00 a.m. to 5:00 p.m. on Wednesday, 2 November 2016.
- 9:00 a.m. to 12:00 noon on Thursday, 3 November 2016.

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 3 November 2016, the last application day or such later time as described in the paragraph headed "Effect of bad weather on the opening of the applications lists" in this section.

## 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Forms carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- (i) **undertake** to execute all relevant documents and instruct and authorise the Company and/or the Joint Global Coordinators (or their respective agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) **agree** to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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- (iv) **confirm** that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) **confirm** that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) **agree** that none of the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) **undertake and confirm** that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) **agree** to disclose to the Company, our Hong Kong Share Registrar, receiving bank, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, **agree and warrant** that you have complied with all such laws and none of the Company, the Joint Global Coordinators, the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) **agree** that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) **agree** that your application will be governed by the laws of Hong Kong;
- (xii) **represent, warrant and undertake** that (i) you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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- (xiii) **warrant** that the information you have provided is true and accurate;
- (xiv) **agree** to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) **authorise** the Company to place your name(s) or the name of the HKSCC Nominee, on the Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) **declare** and **represent** that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) **understand** that the Company and the Joint Global Coordinators (on behalf of the Underwriters) will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) **warrant** that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) **warrant** that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

### **Additional Instructions for Yellow Application Form**

You may refer to the **Yellow** Application Form for details.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### 5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

#### General

Individuals who meet the criteria in “Who can apply” section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

#### Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at [www.hkeipo.hk](http://www.hkeipo.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, 31 October 2016 until 11:30 a.m. on Thursday, 3 November 2016 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 3 November, 2016 or such later time under the paragraph headed “Effect of bad weather on the opening of the applications lists” in this section.

#### No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

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# HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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## Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

## 6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

### General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System <https://ip.ccass.com> (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**  
**Customer Service Centre**  
1/F, One & Two Exchange Square, 8 Connaught Place,  
Central  
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

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# HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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## Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - **agree** that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - **agree** to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;
  - **undertake** and **confirm** that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
  - if the **electronic application instructions** are given for your benefit, **declare** that only one set of electronic application instructions has been given for your benefit;
  - (if you are an agent for another person) **declare** that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
  - **confirm** that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - **authorise** the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
  - **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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- **confirm** that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- **agree** that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- **agree** to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents;
- **agree** (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- **agree** that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- **agree** that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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- **agree** to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Public Offer Shares;
- **agree** with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- **agree** that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

### **Effect of Giving Electronic Application Instructions to HKSCC via CCASS**

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the WHITE Application Form and in this prospectus.



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# HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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## Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Public Offer Shares. Instructions for more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

## Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- 9:00 a.m. to 8:30 p.m.<sup>(1)</sup> on Monday, 31 October 2016.
- 8:00 a.m. to 8:30 p.m.<sup>(1)</sup> on Tuesday, 1 November 2016.
- 8:00 a.m. to 8:30 p.m.<sup>(1)</sup> on Wednesday, 2 November 2016.
- 8:00 a.m.<sup>(1)</sup> to 12:00 noon on Thursday, 3 November 2016.

*Note (1):* These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS clearing/custodian participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 31 October 2016 until 12:00 noon on Thursday, 3 November 2016 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 3 November 2016, the last application day or such later time as described in the paragraph headed “Effect of bad weather on the opening of the application lists” in this section.

## No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### **Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### **Personal Data**

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bankers, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

## **7. WARNING FOR ELECTRONIC APPLICATIONS**

The subscription of the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Sole Sponsor, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Thursday, 3 November 2016.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### 9. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 2,000 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering — Pricing of the Global Offering” of this prospectus.

### 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 3 November 2016. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 3 November 2016 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” of this prospectus, an announcement will be made in such event.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### 11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares on Thursday, 10 November 2016 in The Standard (in English) and Hong Kong Economic Journal (in Chinese) on the Company's website at <http://www.gml.com.my> and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at <http://www.gml.com.my> and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 8:30 a.m. on Thursday, 10 November 2016;
- from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 10 November, 2016 to 12:00 midnight on Wednesday, 16 November 2016;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 10 November 2016 to Tuesday, 15 November 2016 (excluding Saturday, Sunday and public holiday);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 10 November, 2016 to Monday, 14 November 2016 at all the receiving bank's designated sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering" of this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG PUBLIC OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer Shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Hong Kong Companies Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If the Company or its agents exercise their discretion to reject your application:**

The Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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**(iii) If the allotment of Hong Kong Public Offer Shares is void:**

The allotment of Hong Kong Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offer Shares and International Offering Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 6,250,000 Hong Kong Public Offer Shares.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$1.42 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure of the Global Offering — Conditions of the Hong Kong Public Offering” of this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 10 November 2016.

### 14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your



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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, 10 November 2016. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 11 November 2016 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" of this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

### **Personal Collection**

#### **(i) If you apply using a WHITE Application Form**

If you apply for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 10 November 2016 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 10 November 2016, by ordinary post and at your own risk.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### **(ii) If you apply using a YELLOW Application Form**

If you apply for 1,000,000 Hong Kong Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 10 November 2016, by ordinary post and at your own risk.

If you apply by using a YELLOW Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 10 November 2016, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

### **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Hong Kong Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allotted to you with that CCASS participant.

### **If you are applying as a CCASS investor participant**

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 10 November 2016 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

### **(iii) If you apply through the HK eIPO White Form service**

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Tricor Investor Services Limited, from 9:00 a.m. to 1:00 p.m. on Thursday, 10 November 2016, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/ e-Auto Refund payment instructions/refund cheques.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 10 November 2016 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

### **(iv) If you apply via Electronic Application Instructions to HKSCC**

#### ***Allocation of Hong Kong Public Offer Shares***

For the purposes of allocating Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

#### ***Deposit of Share Certificates into CCASS and Refund of Application Monies***

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 10 November 2016, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Thursday, 10 November 2016. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 10 November 2016 or such other date as determined by HKSCC or HKSCC Nominees.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 10 November 2016. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 10 November 2016.

### 15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

*The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the reporting accountants of the Company, Crowe Horwath (HK) CPA Limited, Certified Public Accountants.*



國富浩華(香港)會計師事務所有限公司  
Crowe Horwath (HK) CPA Limited  
Member Crowe Horwath International

9/F Leighton Centre,  
77 Leighton Road,  
Causeway Bay, Hong Kong  
Main: (852) 2894 6888  
Fax: (852) 2895 3752  
Email: info@crowehorwath.hk

31 October 2016

The Directors

Gemilang International Limited

Alliance Capital Partners Limited

Dear Sirs,

We set out below our report on the financial information relating to Gemilang International Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) comprising the combined statements of financial position of the Group as at 31 October 2013, 2014 and 2015 and 30 April 2016, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the years ended 31 October 2013, 2014 and 2015 and the six months ended 30 April 2016 (the “Relevant Periods”), together with the explanatory information thereto (the “Financial Information”), for inclusion in the prospectus of the Company dated 31 October 2016 (the “Prospectus”).

The Company was incorporated in the Cayman Islands on 21 June 2016 as an exempted company with limited liability under the Companies Law (Cap. 22) (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation (the “Reorganisation”) as detailed in the section headed “History, reorganisation and corporate structure” in the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in Note 2.2 of Section II below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

As at the date of this report, no statutory financial statements have been prepared for the Company, as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1 of Section II. All of these Companies are private companies.

All companies now comprising the Group have adopted 31 October as their financial year end date. Details of the companies comprising the Group that are subject to statutory audit during the Relevant Periods and the names of the respective statutory auditors are set out in Note 1 of Section II.

The directors of the Company have prepared the combined financial statements of the Group for the Relevant Periods (the “Underlying Financial Statements”) on the same basis as used in the preparation of the Financial Information set out in Section II below. The Underlying Financial Statements for each of the years ended 31 October 2013, 2014 and 2015 and the six months ended 30 April 2016 were audited by us under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Financial Information has been prepared by the directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

#### **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION**

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) issued by the HKICPA, the applicable disclosure requirements of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

#### **REPORTING ACCOUNTANTS' RESPONSIBILITY**

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA. We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 30 April 2016.

**OPINION**

In our opinion, the Financial Information gives, for the purpose of this report and on the basis of preparation set out in Note 2.2 of Section II below, a true and fair view of the financial position of the Group as at 31 October 2013, 2014 and 2015 and 30 April 2016 and of the Group's financial performance and cash flows for the Relevant Periods then ended.

**CORRESPONDING FINANCIAL INFORMATION**

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the six months ended 30 April 2015, together with the explanatory information thereon (the "Corresponding Financial Information"), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

## I. FINANCIAL INFORMATION

## (a) Combined statements of profit or loss and other comprehensive income

	Section II Note	Year ended 31 October			Six months ended 30 April	
		2013 US\$'000	2014 US\$'000	2015 US\$'000	2015 US\$'000 (Unaudited)	2016 US\$'000
Revenue . . . . .	4	32,371	34,329	41,070	27,005	16,754
Cost of sales . . . . .		(25,805)	(27,317)	(31,868)	(20,824)	(12,624)
<b>Gross profit</b> . . . . .		6,566	7,012	9,202	6,181	4,130
Other revenue . . . . .	5	47	53	64	40	28
Other net income/(loss) . . . . .	5	163	(54)	928	320	107
Selling and distribution expenses . . . . .		(518)	(964)	(1,742)	(521)	(839)
General and administrative expenses . . . . .		(1,601)	(1,795)	(2,299)	(1,210)	(1,667)
<b>Profit from operations</b> . . . . .		4,657	4,252	6,153	4,810	1,759
Finance costs . . . . .	6(a)	(799)	(886)	(791)	(416)	(323)
<b>Profit before taxation</b> . . . . .	6	3,858	3,366	5,362	4,394	1,436
Income tax expenses . . . . .	9	(925)	(955)	(162)	(1,128)	(528)
Profit for the year/period attributable to equity owners of the Company . . . . .		2,933	2,411	5,200	3,266	908
<b>Other comprehensive (loss)/ income for the year/period</b>						
Item that may be reclassified subsequently to profit or loss:						
Exchange difference on translation of financial statements of overseas subsidiaries . . . . .		(97)	(126)	(1,008)	(248)	500
<b>Total comprehensive income for the year/period attributable to equity owners of the Company</b> . . . . .		2,836	2,285	4,192	3,018	1,408
<b>Basic and diluted earnings per share attributable to the equity owners of the Company</b> . . . . .	10	N/A	N/A	N/A	N/A	N/A



**(b) Combined statements of financial position**

	<i>Section II Note</i>	As at 31 October			As at 30 April
		2013	2014	2015	2016
		US\$'000	US\$'000	US\$'000	US\$'000
<b>Non-current assets</b>					
Property, plant and equipment . . . . .	11	5,935	5,907	5,717	7,606
Intangible asset . . . . .	12	252	240	277	304
Deferred tax assets . . . . .	20(b)	15	—	125	—
		<u>6,202</u>	<u>6,147</u>	<u>6,119</u>	<u>7,910</u>
<b>Current assets</b>					
Inventories . . . . .	13	8,419	11,274	6,884	12,240
Trade and other receivables . . . . .	14	3,123	9,709	7,858	7,073
Amounts due from directors . . . . .	24(b)	1,448	4	—	—
Tax recoverable . . . . .	20(a)	241	—	332	490
Pledged bank deposits . . . . .	15	1,506	1,478	1,249	1,394
Cash and bank balances . . . . .	16	373	262	951	1,264
		<u>15,110</u>	<u>22,727</u>	<u>17,274</u>	<u>22,461</u>
<b>Current liabilities</b>					
Trade and other payables . . . . .	17	8,633	14,123	7,468	14,127
Bank borrowings . . . . .	18	9,697	10,126	9,487	9,026
Bank overdrafts . . . . .	16, 18	165	776	829	—
Obligations under finance leases . . . . .	19	29	56	41	51
Amounts due to directors . . . . .	24(b)	—	520	734	1,168
Provision for taxation . . . . .	20(a)	—	50	13	20
		<u>18,524</u>	<u>25,651</u>	<u>18,572</u>	<u>24,392</u>
<b>Net current (liabilities)</b> . . . . .		<u>(3,414)</u>	<u>(2,924)</u>	<u>(1,298)</u>	<u>(1,931)</u>
<b>Total assets less current liabilities</b> . . . . .		<u>2,788</u>	<u>3,223</u>	<u>4,821</u>	<u>5,979</u>
<b>Non-current liabilities</b>					
Obligations under finance leases . . . . .	19	20	118	88	161
Deferred tax liabilities . . . . .	20(b)	243	299	—	163
		<u>263</u>	<u>417</u>	<u>88</u>	<u>324</u>
<b>Net assets</b> . . . . .		<u>2,525</u>	<u>2,806</u>	<u>4,733</u>	<u>5,655</u>
<b>Capital and reserves</b>					
Share capital . . . . .	21	675	679	679	679
Reserves . . . . .		1,850	2,127	4,054	4,976
<b>Total equity attributable to equity owners of the Company</b> . . . . .		<u>2,525</u>	<u>2,806</u>	<u>4,733</u>	<u>5,655</u>

## (c) Combined statements of changes in equity

	Attributable to equity owners of the Company			
	Combined capital	Exchange reserve	Retained earnings	Total
Section II Note	US\$'000 (Note 21)	US\$'000	US\$'000	US\$'000
<b>At 1 November 2012</b> . . . . .	675	39	2,190	2,904
<b>Changes in equity for 2012/2013:</b>				
Profit for the year . . . . .	—	—	2,933	2,933
Other comprehensive loss for the year				
Exchange differences on translation of financial statements of overseas subsidiaries . . . . .	—	(97)	—	(97)
Total comprehensive income for the year . . .	—	(97)	2,933	2,836
Interim dividend declared in respect of current year . . . . .	21(e) —	—	(3,215)	(3,215)
<b>At 31 October 2013</b> . . . . .	<u>675</u>	<u>(58)*</u>	<u>1,908*</u>	<u>2,525</u>
<b>At 1 November 2013</b> . . . . .	675	(58)	1,908	2,525
<b>Changes in equity for 2013/2014:</b>				
Profit for the year . . . . .	—	—	2,411	2,411
Other comprehensive loss for the year				
Exchange differences on translation of financial statements of overseas subsidiaries . . . . .	—	(126)	—	(126)
Total comprehensive income for the year . . .	—	(126)	2,411	2,285
Issuance of new ordinary shares . . . . .	4	—	—	4
Interim dividend declared in respect of current year . . . . .	21(e) —	—	(2,008)	(2,008)
<b>At 31 October 2014</b> . . . . .	<u>679</u>	<u>(184)*</u>	<u>2,311*</u>	<u>2,806</u>

		Attributable to equity owners of the Company			
		Combined capital	Exchange reserve	Retained earnings	Total
<i>Section II</i>		<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<i>Note</i>		<i>(Note 21)</i>			
<b>At 1 November 2014</b>		679	(184)	2,311	2,806
<b>Changes in equity for 2014/2015:</b>					
Profit for the year		—	—	5,200	5,200
Other comprehensive loss for the year					
Exchange differences on translation of financial statements of overseas subsidiaries		—	(1,008)	—	(1,008)
Total comprehensive income for the year		—	(1,008)	5,200	4,192
Interim dividend declared in respect of current year	<i>21(e)</i>	—	—	(2,265)	(2,265)
<b>At 31 October 2015</b>		<u>679</u>	<u>(1,192)*</u>	<u>5,246*</u>	<u>4,733</u>
<b>At 1 November 2015</b>		679	(1,192)	5,246	4,733
<b>Changes in equity for the six months ended 30 April 2016:</b>					
Profit for the period		—	—	908	908
Other comprehensive income for the year					
Exchange differences on translation of financial statements of overseas subsidiaries		—	500	—	500
Total comprehensive income for the period		—	500	908	1,408
Interim dividend declared in respect of current period	<i>21(e)</i>	—	—	(486)	(486)
<b>At 30 April 2016</b>		<u>679</u>	<u>(692)*</u>	<u>5,668*</u>	<u>5,655</u>

	Attributable to equity owners of the Company			
	Combined capital	Exchange reserve	Retained earnings	Total
	US\$'000	US\$'000	US\$'000	US\$'000
	<i>(Note 21)</i>			
<b>(Unaudited)</b>				
<b>At 1 November 2014</b> . . . . .	679	(184)	2,311	2,806
<b>Changes in equity for the six months ended</b>				
<b>30 April 2015</b>				
Profit for the period . . . . .	—	—	3,266	3,266
Other comprehensive loss for the period				
Exchange differences on translation of financial statements of overseas subsidiaries . . . . .	—	(248)	—	(248)
Total comprehensive income for the period . .	—	(248)	3,266	3,018
<b>At 30 April 2015</b> . . . . .	<b>679</b>	<b>(432)</b>	<b>5,577</b>	<b>5,824</b>

\* These reserve accounts comprise combined reserves of US\$1,850,000, US\$2,127,000, US\$4,054,000 and US\$4,976,000 in the combined statements of financial position as at 31 October 2013, 2014 and 2015 and 30 April 2016.

**(d) Combined statements of cash flows**

Section II Note	Year ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				(Unaudited)	
<b>Operating activities</b>					
Profit before taxation . . . . .	3,858	3,366	5,362	4,394	1,436
Adjustments for:					
Allowance for impairment losses on receivables . . . . . 6(c)	69	113	271	229	135
Depreciation . . . . . 6(c)	457	459	406	179	182
Loss/(gain) on disposal of property, plant and equipment . . . . . 6(c)	—	97	(13)	(31)	—
Unrealised loss/(gain) on foreign exchange . . . . .	2	(20)	(59)	130	228
Interest expenses . . . . . 6(a)	799	886	791	416	323
Interest income . . . . . 5	(44)	(43)	(47)	(22)	(22)
Operating cash flows before movements in working capital . . .	5,141	4,858	6,711	5,295	2,282
(Increase)/decrease in inventories . . .	(4,049)	(3,316)	2,055	2,620	(4,452)
Decrease/(increase) in trade and other receivables . . . . .	2,660	(6,872)	(512)	(2,573)	1,139
Increase/(decrease) in trade and other payables . . . . .	2,662	5,969	(4,087)	(4,647)	5,638
<b>Cash generated from operations</b> . .	<b>6,414</b>	<b>639</b>	<b>4,167</b>	<b>695</b>	<b>4,607</b>
Income tax paid . . . . .	(480)	(588)	(979)	(601)	(357)
<b>Net cash generated from operating activities</b> . . . . .	<b>5,934</b>	<b>51</b>	<b>3,188</b>	<b>94</b>	<b>4,250</b>
<b>Investing activities</b>					
Interest received . . . . .	44	43	47	22	22
Proceeds from disposal of property, plant and equipment . . . . .	—	47	253	181	—
Payment for purchase of property, plant and equipment . . . . .	(447)	(684)	(734)	(214)	(1,363)
<b>Net cash (used in) investing activities</b> . . . . .	<b>(403)</b>	<b>(594)</b>	<b>(434)</b>	<b>(11)</b>	<b>(1,341)</b>

Section II	Year ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
Note	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				(Unaudited)	
<b>Financing activities</b>					
Issue of shares . . . . .	—	4	—	—	—
Change in balance with					
the directors . . . . .	(4,509)	(72)	(2,051)	169	383
(Increase) in pledged bank deposits . .	(42)	(43)	(432)	(305)	(22)
Proceeds from bank borrowings . . . .	22,323	25,299	33,946	20,776	9,697
Repayment of bank borrowings . . . .	(22,064)	(24,399)	(32,810)	(20,484)	(11,042)
Repayment of finance lease payables .	(52)	(40)	(99)	(25)	(19)
Interest expenses . . . . .	(860)	(920)	(797)	(449)	(285)
Dividend paid to the Controlling					
Shareholders . . . . .	—	—	—	—	(486)
<b>Net cash (used in) financing</b>					
<b>activities . . . . .</b>	<b>(5,204)</b>	<b>(171)</b>	<b>(2,243)</b>	<b>(318)</b>	<b>(1,774)</b>
<b>Net increase/(decrease) in cash and</b>					
<b>cash equivalents . . . . .</b>	<b>327</b>	<b>(714)</b>	<b>511</b>	<b>(235)</b>	<b>1,135</b>
<b>Effects of foreign exchange</b>					
<b>translation . . . . .</b>	<b>5</b>	<b>(8)</b>	<b>125</b>	<b>40</b>	<b>7</b>
<b>Cash and cash equivalents</b>					
<b>at beginning of</b>					
<b>the years/periods . . . . .</b>	<b>(124)</b>	<b>208</b>	<b>(514)</b>	<b>(514)</b>	<b>122</b>
<b>Cash and cash equivalents at end of</b>					
<b>the years/periods . . . . .</b>	<b>208</b>	<b>(514)</b>	<b>122</b>	<b>(709)</b>	<b>1,264</b>

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## II. NOTES TO THE FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION AND REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liabilities on 21 June 2016 under the Companies Law (Cap. 22) (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The respective address of the registered office and principal place of business of the Company are stated at the “Corporate Information” section of the Prospectus.

The Company is an investment holding company. During the Relevant Periods, the Company’s subsidiaries fabricated body works for buses, traded body kits and spare parts for buses and the provision of relevant services. The Company is ultimately controlled by Mr. Phang Sun Wah and Mr. Pang Chong Yong (the “Controlling shareholders”), who have entered into the Concert Party Deed as stated in the section headed “History, reorganisation and corporate structure — Concert party deed”.

Pursuant to the Reorganisation, details of which are set out in the section headed “History, reorganisation and corporate structure” in the Prospectus, the Company become the holding company of the companies now comprising the Group.

As at the date of this report, the Company had direct and indirect interests in the following subsidiaries, all of which are private limited liability companies:

Company name	Place and date of incorporation and place of operations	Issued ordinary share capital	Principal activities	Effective interest attributable to the Group				
				As at 31 October			As at 30	At date
				2013	2014	2015	April	of the report
Gemilang Limited (Note 1) (“Gemilang Limited”)	British Virgin Islands 28 June 2016	US\$1	Investment holding	—	—	—	—	100%
Gemilang Asia Pacific Limited (Note 1) (“Gemilang Asia Pacific”)	British Virgin Islands 28 June 2016	US\$1	Investment holding	—	—	—	—	100%

Company name	Place and date of incorporation and place of operations	Issued ordinary share capital	Principal activities	Effective interest attributable to the Group				
				As at 31 October			As at 30 April	At date of the report
				2013	2014	2015	2016	
Gemilang Coachwork Sdn. Bhd. (Note 2) ("Gemilang Coachwork")	Malaysia 23 September 1989	RM2,000,000	Fabrication of body works for buses and trading of body kits and spare parts for buses	100%	100%	100%	100%	100%
GML Coach Technology Pte. Limited (Note 3) ("GML Coach")	Singapore 19 April 2004	SGD5,000	Dealing in spare parts for buses and related products and providing maintenance services for buses	100%	100%	100%	100%	100%

*Notes:*

- (1) Gemilang Limited and Gemilang Asia Pacific are directly held by the Company and all other subsidiaries are indirectly held by the Company. No statutory financial statements have been prepared for Gemilang Limited and Gemilang Asia Pacific since their incorporation as these entities are not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.
- (2) The statutory financial statements of Gemilang Coachwork for the years ended 31 October 2013, 2014 and 2015 were prepared in accordance with the relevant accounting principal and rules and regulations in Malaysia. The statutory financial statements were audited by the following Chartered Accountants:

Year ended 31 October 2013	Syarikat C.H. Kam, Chartered Accountants
Year ended 31 October 2014	Crowe Horwath (AF1018)
Year ended 31 October 2015	Crowe Horwath (AF1018)
- (3) No statutory financial statements have been prepared for GML Coach during the Relevant Periods as it is exempted from statutory audit requirements in Singapore.

These companies were beneficially owned and directly or indirectly controlled by the Controlling Shareholders during the Relevant Periods.

## 2.1 STATEMENT OF COMPLIANCE

The Financial Information set out in this report has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the HKICPA. Further details of the significant accounting policies adopted are set out in the remainder of this Section II.



The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing the Financial Information, the Group has adopted all these new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the Relevant Periods. The revised and new accounting standards and interpretations issued but not yet effective for the Relevant Periods and not yet adopted in this Financial Information are set out in Note 2.3.

The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

## **2.2 BASIS OF PREPARATION**

The Financial Information comprises the Company and its subsidiaries and has been prepared using the principles of merger accounting as if the Group had always been in existence.

Pursuant to the Reorganisation, details of which are set out in the section headed “History, reorganisation and corporate structure” in the Prospectus, the Company became the holding company of the companies now comprising the Group.

All the companies now comprising the Group that took part in the Reorganisation were controlled by the same Controlling Shareholders before and after the Reorganisation. As the control is not transitory and consequently, there was a continuation of risks and benefits to the Controlling Shareholders and the Reorganisation is considered to be a restructuring of entities under common control. The Financial Information has been prepared using the merger basis of accounting as if the Group has always been in existence and the net assets of the companies now comprising the Group are combined using the existing book values from the Controlling Shareholders’ perspective.

The combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cashflow of the Group for the Relevant Periods as set out in section I of this report include the results of operations of the companies now comprising the Group (or where the companies were incorporated at a date later than 1 November 2012, for the period from the date of incorporation to 30 April 2016) as if the current group structure had been in existence throughout the Relevant Periods. The combined statements of financial position of the Group as at 31 October 2013, 2014, 2015 and 30 April 2016 as set out in section I of this report have been prepared to present the state of affairs of the companies now comprising the Group as at those dates as if the current group structure had been in existence at the respective dates.

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

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in United States dollars ("US\$"), rounded to the nearest thousand, unless otherwise stated.

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

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

Judgments made by management in the application of HKFRSs that have a significant effect on the Financial Information and major sources of estimation uncertainty are discussed in Note 3.2.

As at 31 October 2013, 2014 and 2015 and 30 April 2016, the Group has net current liabilities of approximately US\$3,414,000, US\$2,924,000, US\$1,298,000 and US\$1,931,000 respectively. Notwithstanding the net current liabilities of the Group at 30 April 2016, the Group's Financial Information has been prepared on a going concern basis because the directors are of the opinion that the Group would have adequate funds to meet its obligations as and when they fall due, having regard to the Group's ability to generate positive operating cash flows in the future.

**2.3 NEW AND REVISED HKFRSs NOT YET EFFECTIVE**

The Group has not applied the following new or revised HKFRSs that have been issued but are not yet effective for the Relevant Periods, in the Financial Information:

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

	Effective for accounting periods beginning on or after
HKFRS 14, Regulatory Deferral Accounts	1 January 2016
HKFRS 15, Revenue from Contracts with Customers	1 January 2018
HKFRS 16, Leases	1 January 2019

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

#### **HKFRS 9 Financial Instruments**

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

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

#### **HKFRS 15 Revenue from Contracts with Customers**

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

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

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

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

### **HKFRS 16 Leases**

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

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

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

As set out in Note 23(b) below, the future aggregate minimum lease payments under non-cancellable operating lease of the Group as at 30 April 2016 amounted to approximately US\$50,000. Based on current leasing patterns, the Group do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that the certain portion of the lease commitment will be required to be recognised in the combined statement of financial position as right-of-use assets and lease liabilities.

### 3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of combination

##### (i) *Business combinations involving entities under common control*

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities obtained are measured at the carrying amounts as recorded by the entity being combined at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination (or the total face value of shares issued) is adjusted to equity. The combination date is the date on which one combining entity effectively obtains control of the other combining entities.

##### (ii) *Business combinations involving entities not under common control*

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. The acquirer, at the acquisition date, allocates the cost of the business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at their fair value at that date.

#### (b) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in the former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

The financial statements of subsidiaries are included in the Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

**(c) Related parties**

A party is considered to be related to the Group if:

(A) the party is a person, or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(B) the party is an entity where any of the following conditions applies:

- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

- (vi) The entity is controlled or jointly controlled by a person identified in (A).
- (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

**(d) Property, plant and equipment and depreciation**

Property, plant and equipment, other than freehold land and building in progress, are stated at cost less any accumulated depreciation and any accumulated impairment losses (see Note 3.1(g)):

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives. The principal annual rates used for this purpose are as follows:

Buildings	2%
Plant and machinery	10% to 15%
Tools and equipment	10%
Motor vehicles	10% to 20%
Furniture, fittings and office equipment	10% to 25%

Freehold land and building in progress are stated at cost less identified impairment losses. No depreciation is provided for freehold land and building in progress.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.



**(e) Intangible asset**

Intangible asset is measured at cost less accumulated impairment losses, if any. The carrying value of intangible asset is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired (Note 3.1(g)). The impairment value of intangible asset is recognised immediately in profit or loss.

**(f) Leased assets**

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

**(i) *Classification of assets leased to the Group***

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

***(ii) Assets acquired under finance leases***

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset or, if lower, the present value of the minimum lease payments of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in Note 3.1(d). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 3.1(g). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

***(iii) Operating lease charges***

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

**(g) Impairment of assets*****(i) Impairment of investments in equity securities and other receivables***

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.
- For trade receivables and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

*(ii) Impairment of other assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment; and
- intangible assets.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (that is, a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

**(h) Inventories**

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

**(i) Trade and other receivables**

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see Note 3.1(g)).

**(j) Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

**(k) Trade and other payables**

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 3.1(o), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

**(l) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the combined statements of cash flows.

**(m) Employee benefits****(i) Short term employee benefits**

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are recognised in profit or loss in the period in which the associated services are rendered by employees.

**(ii) Defined Contribution Plans**

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

**(n) Income tax**

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future or, in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates (or tax laws) enacted or substantively enacted at the end of the reporting period.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

**(o) Financial guarantees issued, provisions and contingent liabilities**

**(i) *Financial guarantees issued***

Financial guarantees are contracts that require the issuer (that is, the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.



The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note (ii) below of this note if and when (a) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (b) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee, that is, the amount initially recognised, less accumulated amortisation.

**(ii) *Other provisions and contingent liabilities***

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Provisions for the expected cost of warranty obligations under the relevant sales contracts are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(p) *Revenue recognition***

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

**(i) *Sale of goods***

Revenue is measured at the fair value of the consideration received or receivable and is recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

**(ii) *Services***

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably.

**(iii) Interest income**

Interest income is recognised as it accrues using the effective interest method.

**(iv) Rental income**

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

**(q) Translation of foreign currencies**

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The functional currency of the Company is Hong Kong dollars ("HK\$"). The results of companies comprising the Group are translated into US\$ at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Combined statement of financial position items are translated into US\$ at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

**(r) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

**(s) Segment reporting**

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's board of directors (the chief operating decision maker) for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

### **3.2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

The Group's financial position and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the Financial Information. Management bases the assumptions and estimates on historical experience and on other factors that the management believes to be reasonable and which form the basis for making judgments about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of significant accounting policies, the judgments and other uncertainties affecting the application of those policies and the sensitivity of reporting results to changes in conditions and assumptions are factors to be considered when reviewing the Financial Information. The significant accounting policies are set out in Note 3.1 above. Management believes the following significant accounting policies involve the most significant judgments and estimates used in the preparation of the Financial Information.

**(i) Impairment of property, plant and equipment and intangible assets**

If circumstances indicate that the carrying amounts of property, plant and equipment and intangible assets may not be recoverable, the assets may be considered “impaired”, and an impairment loss may be recognised to reduce the carrying amounts to the recoverable amount in accordance with the accounting policy for impairment of these assets as described in Note 3.1(g). The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to level of revenue and amount of operating costs. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

**(ii) Depreciation of property, plant and equipment**

Management estimates the useful lives of property, plant and equipment based on the periods over which the assets are expected to be available for use. Management reviews annually their estimated useful lives, based on factors that include asset utilisation, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase depreciation charges and decrease the carrying amount of property, plant and equipment.

**(iii) Impairment of trade and other receivables**

Management determines impairment losses of trade and other receivables on a regular basis (which are recorded in an allowance account for doubtful debts) resulting from the inability of the debtors to make the required payments. Management bases its estimates on the ageing of the trade and other receivables balance, customer credit-worthiness and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than expected and could significantly affect the results in future periods.

**(iv) Net realisable value of inventories**

As described in Note 3.1(h), net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling the products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior periods and affect the Group's net assets value. Management reassesses these estimates at the end of each reporting period to ensure inventories are shown at the lower of cost and net realisable value.

**(v) Recognition of income taxes and deferred tax assets**

Determining income tax provision involves judgment on the future tax treatment of certain transactions. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences, unused tax losses and unused tax credits. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

**4. REVENUE AND SEGMENT REPORTING****(a) Revenue**

The principal activities of the Group are engaged in the 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 and services provided to customers.

The amount of each significant category of revenue recognised during the Relevant Periods was as follows:

	Year ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Revenue</b>					
Sales of bus bodies and kits . . . . .	29,743	30,366	39,371	25,933	15,824
Sales of parts and provision of relevant services . . . . .	2,628	3,963	1,699	1,072	930
	<u>32,371</u>	<u>34,329</u>	<u>41,070</u>	<u>27,005</u>	<u>16,754</u>

(Unaudited)

### (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

The accounting policies of the operating and reportable segments are the same as the Group’s accounting policies described in Note 3.1. Segment profit represents the profit earned by each segment without allocation of central administration costs, other revenue, other net income/(loss) 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 resource allocation and performance assessment.

Information regarding the above segments is reported below.

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

**For the year ended 31 October 2013**

	Sales of bus bodies and kits	Sales of parts and provision of relevant services	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Revenue</b>			
Revenue from external customers . . . . .	29,743	2,628	32,371
Reportable segment revenue . . . . .	29,743	2,628	32,371
<b>Reportable segment profit . . . . .</b>	<b>4,592</b>	<b>143</b>	<b>4,735</b>
Unallocated head office and corporate expenses:			
— Finance costs . . . . .			(799)
— Other expenses . . . . .			(288)
Other revenue . . . . .			47
Other net income/(loss) . . . . .			163
Profit before income tax . . . . .			3,858
<b>Other segment information</b>			
Depreciation . . . . .	439	18	457
Allowances for doubtful debts . . . . .	69	—	69

**For the year ended 31 October 2014**

	Sales of bus bodies and kits	Sales of parts and provision of relevant services	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Revenue</b>			
Revenue from external customers . . . . .	30,366	3,963	34,329
Reportable segment revenue . . . . .	30,366	3,963	34,329
<b>Reportable segment profit . . . . .</b>	<b>4,335</b>	<b>255</b>	<b>4,590</b>

	<b>Sales of bus bodies and kits</b>	<b>Sales of parts and provision of relevant services</b>	<b>Total</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Unallocated head office and corporate expenses:			
— Finance costs . . . . .			(886)
— Other expenses . . . . .			(337)
Other revenue . . . . .			53
Other net income/(loss) . . . . .			(54)
Profit before income tax . . . . .			<u>3,366</u>
<b>Other segment information</b>			
Depreciation . . . . .	433	26	459
Allowances for doubtful debts . . . . .	113	—	113

**For the year ended 31 October 2015**

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



For the six months ended 30 April 2015 (Unaudited)

	Sales of bus bodies and kits	Sales of parts and provision of relevant services	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Revenue</b>			
Revenue from external customers . . . . .	25,933	1,072	27,005
Reportable segment revenue . . . . .	25,933	1,072	27,005
<b>Reportable segment profit</b> . . . . .	<b>4,542</b>	<b>198</b>	<b>4,740</b>
Unallocated head office and corporate expenses:			
— Finance costs . . . . .			(416)
— Other expenses . . . . .			(290)
Other revenue . . . . .			40
Other net income/(loss) . . . . .			320
Profit before income tax . . . . .			4,394
<b>Other segment information</b>			
Depreciation . . . . .	176	3	179
Allowances for doubtful debts . . . . .	229	—	229

For the six months ended 30 April 2016

	Sales of bus bodies and kits	Sales of parts and provision of relevant services	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Revenue</b>			
Revenue from external customers . . . . .	15,824	930	16,754
Reportable segment revenue . . . . .	<u>15,824</u>	<u>930</u>	<u>16,754</u>
<b>Reportable segment profit</b> . . . . .	<u>1,744</u>	<u>166</u>	1,910
Unallocated head office and corporate expenses:			
— Finance costs . . . . .			(323)
— Other expenses . . . . .			(286)
Other revenue . . . . .			28
Other net income/(loss) . . . . .			<u>107</u>
Profit before income tax . . . . .			<u>1,436</u>
<b>Other segment information</b> . . . . .			
Depreciation . . . . .	177	5	182
Allowances for doubtful debts . . . . .	<u>135</u>	<u>—</u>	<u>135</u>

**Geographical information**

The following tables set out information about the geographical location of the Group's revenue from external customers. The geographical location of the customers is based on the location at which the goods are delivered and services are provided. Information about its non-current assets is analysed by geographical location of assets.

	<b>Revenues from external customers</b>				
	<b>Year ended 31 October</b>			<b>Six months ended 30 April</b>	
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2015</b>	<b>2016</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
				(Unaudited)	
Malaysia (place of domicile) .....	9,628	11,837	4,579	4,693	426
Singapore .....	19,345	12,309	25,239	18,432	10,231
PRC .....	105	2,197	2,213	1,512	194
Australia .....	369	1,517	3,353	676	881
Hong Kong .....	1,518	317	2,962	391	2,542
India .....	304	4,322	1,545	1,195	150
Others .....	1,102	1,830	1,179	106	2,330
	<u>32,371</u>	<u>34,329</u>	<u>41,070</u>	<u>27,005</u>	<u>16,754</u>

	<b>Non-current assets</b>			
	<b>As at 31 October</b>			<b>As at 30 April</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Malaysia .....	6,041	5,971	5,994	7,908
Singapore .....	146	176	—	2
	<u>6,187</u>	<u>6,147</u>	<u>5,994</u>	<u>7,910</u>

The Group's non-current assets, which include property, plant and equipment and intangible assets, exclude deferred tax assets. The geographical location of the Group's non-current assets is based on the physical location of the asset under consideration in case of tangible assets, and the location of the operation to which they are allocated, in the case of intangible assets.

## Information about major customers

Revenues from the Group's customers of the corresponding years/periods contributing 10% or more of the Group's revenue is as follows:

	Year ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				(Unaudited)	
Customer A . . . . .	17,618	11,373	24,273	17,281	10,109
Customer B . . . . .	8,063	9,491	N/A*	N/A*	N/A*
Customer C . . . . .	N/A*	7,939	5,124	2,943	N/A*
Customer D . . . . .	N/A*	N/A*	N/A*	N/A*	2,674
	<u>25,681</u>	<u>28,803</u>	<u>29,397</u>	<u>20,224</u>	<u>12,783</u>

\* The corresponding revenue did not contribute 10% or more of the Group's revenue.

The revenues are solely attributed to the sales of bus bodies and kits segment.

## 5. OTHER REVENUE AND NET INCOME/(LOSS)

	Year ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				(Unaudited)	
<b>Other revenue</b>					
Bank interest income . . . . .	44	43	47	22	22
Total interest income on financial assets not at fair value through profit or loss . . . . .	44	43	47	22	22
Rental income . . . . .	3	3	3	1	1
Others . . . . .	—	7	14	17	5
	<u>47</u>	<u>53</u>	<u>64</u>	<u>40</u>	<u>28</u>
<b>Other net income/(loss)</b>					
Net foreign exchange gain . . . . .	163	43	915	289	107
(Loss)/gain on disposal of property, plant and equipment . . . . .	—	(97)	13	31	—
	<u>163</u>	<u>(54)</u>	<u>928</u>	<u>320</u>	<u>107</u>

## 6. PROFIT BEFORE TAXATION

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

*(a) Finance costs*

	Year ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				(Unaudited)	
Interest on bank and other borrowings . . .	796	882	784	412	320
Finance charge on obligations					
under finance leases . . . . .	3	4	7	4	3
Total interest expenses on financial liabilities not at fair value through profit or loss . . . . .	799	886	791	416	323

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

	Year ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				(Unaudited)	
Salaries, wages and other benefits . . . . .	1,016	992	1,441	819	842
Contributions to defined contribution retirement plan . . . . .	106	108	122	66	93
	1,122	1,100	1,563	885	935

(c) *Other items*

	Year ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				(Unaudited)	
Allowance for impairment losses on receivables . . . . .	69	113	271	229	135
Auditors' remuneration . . . . .	8	15	15	—	—
Cost of inventories . . . . .	25,805	27,317	31,868	20,824	12,624
Depreciation . . . . .	457	459	406	179	182
Net foreign exchange (gain) . . . . .	(163)	(43)	(915)	(289)	(107)
Loss/(gain) on disposal of property, plant and equipment . . . . .	—	97	(13)	(31)	—
Operating lease charges in respect of — properties . . . . .	131	111	18	8	93
— equipment . . . . .	2	2	3	3	1
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**7. DIRECTORS' EMOLUMENTS**

The Company's directors were appointed on 21 June 2016. Details of the emoluments paid or payable by the subsidiaries comprising the Group to these directors for their service as the subsidiaries' directors during the Relevant Periods are as follows:

**Year ended 31 October 2013**

	Directors' fees	Salaries allowances and benefits in kind	Contribution to defined contribution plan	Total
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Executive directors</b>				
Phang Sun Wah . . . . .	48	86	10	144
Pang Chong Yong . . . . .	48	86	10	144
	<u>96</u>	<u>172</u>	<u>20</u>	<u>288</u>

## Year ended 31 October 2014

	Directors' fees	Salaries allowances and benefits in kind	Contribution to defined contribution plan	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Executive directors</b>				
Phang Sun Wah .....	46	104	12	162
Pang Chong Yong .....	46	104	12	162
Phang Huey Shyan .....	—	12	1	13
	<u>92</u>	<u>220</u>	<u>25</u>	<u>337</u>

## Year ended 31 October 2015

	Directors' fees	Salaries allowances and benefits in kind	Contribution to defined contribution plan	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Executive directors</b>				
Phang Sun Wah .....	53	138	13	204
Pang Chong Yong .....	53	138	17	208
Phang Huey Shyan .....	14	47	6	67
	<u>120</u>	<u>323</u>	<u>36</u>	<u>479</u>

## Six months ended 30 April 2015 (Unaudited)

	Directors' fees	Salaries allowances and benefits in kind	Contribution to defined contribution plan	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Executive directors</b>				
Phang Sun Wah .....	57	63	8	128
Pang Chong Yong .....	57	63	8	128
Phang Huey Shyan .....	7	24	3	34
	<u>121</u>	<u>150</u>	<u>19</u>	<u>290</u>

## Six months ended 30 April 2016

	Directors' fees	Salaries allowances and benefits in kind	Contribution to defined contribution plan	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Executive directors</b>				
Phang Sun Wah . . . . .	24	92	6	122
Pang Chong Yong . . . . .	24	92	11	127
Phang Huey Shyan . . . . .	1	32	4	37
	<u>49</u>	<u>216</u>	<u>21</u>	<u>286</u>

*Notes:*

- (i) No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Periods. No director waived or agreed to waive any emoluments during the Relevant Periods.
- (ii) The Company did not have any share option scheme for the purchase of ordinary shares in the Company during the Relevant Periods.

**8. INDIVIDUALS WITH HIGHEST EMOLUMENTS**

Of the five individuals with the highest emoluments, 2, 2, 3, 3 and 3 for the years ended 31 October 2013, 2014 and 2015 and the six months ended 30 April 2015 and 2016, respectively, are directors whose emoluments are disclosed in Note 7. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Year ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Salaries and other emoluments . . . . .	117	74	80	38	42
Contributions to retirement benefits scheme . . . . .	14	9	9	4	5
	<u>131</u>	<u>83</u>	<u>89</u>	<u>42</u>	<u>47</u>



The emoluments of the 3, 3, 2, 2 and 2 individuals with the highest emoluments for the years ended 31 October 2013, 2014 and 2015 and six months ended 30 April 2015 and 2016, respectively, are within the following bands:

	Year ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
	Number of individuals	Number of individuals	Number of individuals	Number of individuals	Number of individuals
				(Unaudited)	
HK\$Nil to HK\$1,000,000 . . . . .	3	3	2	2	2

No emoluments were paid or payable by the Group to these employees as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Periods.

## 9. INCOME TAX IN THE COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Income tax in the combined statements of profit or loss and other comprehensive income represents:

	Year ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				(Unaudited)	
<b>Current tax</b>					
Charge for the year/period . . . . .	400	872	575	1,094	189
(Over)/under provision in respect of prior year/period . . . . .	(5)	—	(6)	—	54
<b>Deferred tax (Note 20)</b>					
Origination and reversal of temporary differences . . . . .	530	96	(407)	34	285
Attributable to a change in tax rate . . . . .	—	(13)	—	—	—
Income tax expense for the year/period . .	<u>925</u>	<u>955</u>	<u>162</u>	<u>1,128</u>	<u>528</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 Relevant Periods, GML Coach is subject to Singapore statutory income tax rate of 17%.

(iii) During the years ended 31 October 2013, 2014 and 2015, Gemilang Coachwork is subject to Malaysia statutory income tax rate of 25% and was changed to 24% during the period ended 30 April 2016 and thereafter according to the laws of Malaysia Act 764 Finance (NO. 2) ACT 2014.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Profit before taxation . . . . .	3,858	3,366	5,362	4,394	1,436
Notional tax on profit before taxation, calculated at the rates applicable to the profits in the countries concerned . . . . .	976	837	1,326	1,091	470
Tax effect of non-deductible expenses . . . . .	59	153	30	54	28
Tax effect on non-taxable income . . . . .	(6)	—	—	(16)	(12)
Reinvestment allowance claim (i) . . . . .	(101)	(29)	—	—	—
Allowance for significant increase in export claim (ii) . . . . .	—	—	(1,188)	(—)	—
Effect on opening deferred tax of changes in tax rates . . . . .	—	(13)	—	—	—
(Over)/under provision in respect of prior years/periods . . . . .	(5)	—	(6)	—	54
Others . . . . .	2	7	—	(1)	(12)
	<u>925</u>	<u>955</u>	<u>162</u>	<u>1,128</u>	<u>528</u>

(i) Reinvestment allowance (“RA”) is an incentive under the Malaysian Income Tax Act which is given to manufacturing companies which are residents in Malaysia in connection with an expansion, modernizing or diversification (of existing manufacturing business within the same industry) programme. This incentive grants the taxpayer an amount equivalent to 60% of the qualifying capital expenditure incurred on plant & equipment as well as industrial buildings to be set off against the statutory business income for that assessment year. However, this set off is restricted to 70% of the statutory business income and any RA not utilised during an assessment year can be carried forward for utilisation in future assessment years. There is no time limit imposed in connection with the carry forward of unutilised RA.

(ii) "Allowance for significant increase in export" ("AIE") which is an incentive under the Malaysian Income Tax Act given to manufacturing companies which are residents of Malaysia and at least 60% owned by Malaysians. This incentive entitles the company to deduct against its statutory business income an amount equivalent to 30% of the value of the increase in export sales compared to the previous financial year. However, this deduction is restricted to 70% of the statutory income and any such amount not utilised during an assessment year can be carried forward for utilisation in future assessment years. There is no time limit imposed in connection with the carry forward of unutilised AIE.

(c) Tax investigation

During the year ended 31 October 2015, the Malaysian Inland Revenue Board ("MIRB") has initiated a tax investigation on Gemilang Coachwork for the years of assessment 2010 to 2014.

According to the directors of the Company, MIRB has raised certain queries on Gemilang Coachwork in which explanations and information were provided by Gemilang Coachwork to MIRB. During a meeting held by MIRB with the directors of Gemilang Coachwork, MIRB informed that Gemilang Coachwork had excessive claims on its allowance for significant increase in export (Note 20(b)) by approximately US\$227,000 (approximately RM890,000) during the year of assessment 2012 which was brought forward for utilisation in year of assessment 2013.

Gemilang Coachwork reached a settlement on the tax investigation with MIRB on 21 August 2016 in which additional tax together with penalty of approximately US\$71,000 (approximately RM278,000) was paid. Gemilang Coachwork already made provision for the estimated amount of approximately US\$71,000 in the Group's Financial Information for the six months ended 30 April 2016. The directors of the Company considered that no further provision is required.

## **10. EARNINGS PER SHARE**

No earnings per share information is presented as its inclusion, for the purpose of the Financial Information, is not considered meaningful due to the Reorganisation and the presentation of the results for the each of the years ended 31 October 2013, 2014 and 2015 and for each of the six months ended 30 April 2015 and 2016 on a combined basis as disclosed in Note 2.2 above.

## 11. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Building	Buildings in progress	Plant and machinery	Tools and equipment	Motor vehicles	Furniture, fittings and other office equipment	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$000	US\$'000
<b>Cost:</b>								
At 1 November 2012 . . . . .	1,031	3,664	494	1,070	382	812	544	7,997
Additions . . . . .	—	—	193	118	36	64	68	479
Transfer . . . . .	—	677	(677)	—	—	—	—	—
Disposal/written off . . . . .	—	—	—	—	(7)	—	(83)	(90)
Exchange realignment . . . . .	(35)	(133)	(10)	(38)	(13)	(26)	(18)	(273)
At 31 October 2013 . . . . .	996	4,208	—	1,150	398	850	511	8,113
At 1 November 2013 . . . . .	996	4,208	—	1,150	398	850	511	8,113
Additions . . . . .	—	199	—	79	36	445	95	854
Disposal/written off . . . . .	—	—	—	—	—	(160)	—	(160)
Exchange realignment . . . . .	(46)	(200)	—	(55)	(19)	(43)	(26)	(389)
At 31 October 2014 . . . . .	950	4,207	—	1,174	415	1,092	580	8,418
At 1 November 2014 . . . . .	950	4,207	—	1,174	415	1,092	580	8,418
Additions . . . . .	1,213	41	211	17	50	356	85	1,973
Disposal/written off . . . . .	—	—	—	—	—	(649)	—	(649)
Exchange realignment . . . . .	(372)	(973)	(27)	(272)	(101)	(204)	(143)	(2,092)
At 31 October 2015 . . . . .	1,791	3,275	184	919	364	595	522	7,650
At 1 November 2015 . . . . .	1,791	3,275	184	919	364	595	522	7,650
Additions . . . . .	—	25	1,016	118	36	107	146	1,448
Exchange realignment . . . . .	175	319	71	96	37	64	58	820
At 30 April 2016 . . . . .	1,966	3,619	1,271	1,133	437	766	726	9,918
<b>Accumulated depreciation:</b>								
At 1 November 2012 . . . . .	—	422	—	565	133	444	317	1,881
Depreciation for the year . . . . .	—	84	—	96	40	144	93	457
Disposal/written off . . . . .	—	—	—	—	(7)	—	(83)	(90)
Exchange realignment . . . . .	—	(16)	—	(21)	(5)	(17)	(11)	(70)
At 31 October 2013 . . . . .	—	490	—	640	161	571	316	2,178
At 1 November 2013 . . . . .	—	490	—	640	161	571	316	2,178
Depreciation for the year . . . . .	—	85	—	100	42	150	82	459
Disposal/written off . . . . .	—	—	—	—	—	(16)	—	(16)
Exchange realignment . . . . .	—	(25)	—	(32)	(8)	(29)	(16)	(110)
At 31 October 2014 . . . . .	—	550	—	708	195	676	382	2,511

	Freehold land	Building	Buildings in progress	Plant and machinery	Tools and equipment	Motor vehicles	Furniture, fittings and other office equipment	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 November 2014 . . . . .	—	550	—	708	195	676	382	2,511
Depreciation for the year . . . . .	—	74	—	88	41	131	72	406
Disposal/written off . . . . .	—	—	—	—	—	(409)	—	(409)
Exchange realignment . . . . .	—	(136)	—	(174)	(50)	(119)	(96)	(575)
At 31 October 2015 . . . . .	—	488	—	622	186	279	358	1,933
At 1 November 2015 . . . . .	—	488	—	622	186	279	358	1,933
Depreciation for the period . . . . .	—	34	—	43	22	48	35	182
Exchange realignment . . . . .	—	49	—	63	19	30	36	197
At 30 April 2016 . . . . .	—	571	—	728	227	357	429	2,312
<b>Net book value:</b>								
At 31 October 2013 . . . . .	996	3,718	—	510	237	279	195	5,935
At 31 October 2014 . . . . .	950	3,657	—	466	220	416	198	5,907
At 31 October 2015 . . . . .	1,791	2,787	184	297	178	316	164	5,717
At 30 April 2016 . . . . .	1,966	3,048	1,271	405	210	409	297	7,606

- (a) During the years ended 31 October 2013, 2014 and 2015 and period ended 30 April 2016, additions to motor vehicles of the Group financed by new finance lease were approximately US\$32,000, US\$170,000, US\$93,000 and US\$85,000. As at 31 October 2013, 2014 and 2015 and 30 April 2016, the net book value of plant and equipment held under finance leases as follow:

	As at 31 October			As at 30
	2013	2014	2015	April 2016
	US\$'000	US\$'000	US\$'000	US\$'000
Motor vehicles . . . . .	50	223	161	259

- (b) The net book value of following assets were pledged to secure certain banking facilities granted to the Group (Note 18):

	As at 31 October			As at 30
	2013	2014	2015	April 2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Freehold land . . . . .	996	950	1,791	1,966
Buildings . . . . .	3,718	3,657	2,787	3,048
Building in progress . . . . .	—	—	184	1,271
	<u>4,714</u>	<u>4,607</u>	<u>4,762</u>	<u>6,285</u>

## 12. INTANGIBLE ASSET

	<i>US\$'000</i>
At 1 November 2012 . . . . .	260
Exchange adjustments . . . . .	(8)
At 31 October 2013 . . . . .	252
At 1 November 2013 . . . . .	252
Exchange adjustments . . . . .	(12)
At 31 October 2014 . . . . .	240
At 1 November 2014 . . . . .	240
Additions . . . . .	105
Exchange adjustments . . . . .	(68)
At 31 October 2015 . . . . .	277
At 1 November 2015 . . . . .	277
Exchange adjustments . . . . .	27
At 30 April 2016 . . . . .	<u>304</u>

The intangible asset represents the expenses incurred to obtain certifications in Australia in complying the relevant Australian Design Rules (ADRs) for vehicle safety, anti-theft and emissions which allows the Company to export its products to the Australia market. For details, please refer to the section headed "Regulations" of this Prospectus. The certifications, which do not require subsequent renewal on approved bus models, are considered by the directors of the Company as having indefinite useful lives because there is no foreseeable limit on the period over which they are expected to contribute net cash inflows to the Group until their useful lives are determined to be finite. Certifications are tested annually for impairment and whenever there is an indication that they may be impaired.

For the purposes of impairment testing, the respective recoverable amounts at each year/period end of the cash generating unit relating to sales of buses bodies business whereby these certifications are allocated to, using a value in use calculation, exceed the carrying amounts. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period and a discount rate of 20.4%. Cash flow beyond that five-year period have been extrapolated using a steady 3% growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the Group operates. Accordingly, the Directors determined that there was no impairment in value of the certifications as at 31 October 2013, 2014 and 2015 and 30 April 2016.

### 13. INVENTORIES

	As at 31 October			As at 30
	2013	2014	2015	April 2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Raw material . . . . .	4,785	6,486	3,931	6,245
Work-in-progress . . . . .	1,313	3,590	1,917	4,255
Finished goods . . . . .	2,321	687	736	982
Goods in transit . . . . .	—	511	300	758
	<u>8,419</u>	<u>11,274</u>	<u>6,884</u>	<u>12,240</u>

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Year ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				<i>(Unaudited)</i>	
Carrying amount of inventories sold .....	25,805	27,317	31,868	20,824	12,624

#### 14. TRADE AND OTHER RECEIVABLES

	As at 31 October			As at 30 April 2016
	2013	2014	2015	
	US\$'000	US\$'000	US\$'000	US\$'000
Trade receivables .....	2,817	9,626	7,327	6,205
Less: allowance for doubtful debts .....	(166)	(271)	(467)	(647)
	2,651	9,355	6,860	5,558
Other receivable .....	359	99	488	769
Advances to suppliers .....	—	7	403	306
Deposits .....	32	25	25	35
Prepayments .....	81	223	82	405
	472	354	998	1,515
	3,123	9,709	7,858	7,073

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

The advances to suppliers are unsecured and interest-free. The amount will be offset against future purchase from suppliers.



**(a) 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.

	As at 31 October			As at 30
	2013	2014	2015	April 2016
	US\$'000	US\$'000	US\$'000	US\$'000
Within 30 days .....	217	6,006	2,337	2,278
31 to 90 days .....	592	1,697	1,911	2,127
Over 90 days .....	1,842	1,652	2,612	1,153
	<u>2,651</u>	<u>9,355</u>	<u>6,860</u>	<u>5,558</u>

Trade receivables are normally due within 30 days from the date of billing. Further details on the Group's credit policy are set out in Note 22.

**(b) Impairment of trade receivables**

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see Note 3.1(g)).

***Movements in the allowance for doubtful debts***

	As at 31 October			As at 30
	2013	2014	2015	April 2016
	US\$'000	US\$'000	US\$'000	US\$'000
At the beginning of year/period .....	98	166	271	467
Impairment loss recognised .....	69	113	271	135
Exchange realignment .....	(1)	(8)	(75)	45
At the end of the year/period .....	<u>166</u>	<u>271</u>	<u>467</u>	<u>647</u>

At 31 October 2013, 2014 and 2015 and 30 April 2016, trade receivables amounting to approximately of US\$166,000, US\$271,000, US\$467,000 and US\$647,000 respectively, were individually determined to be impaired and full provision had been made. The individually impaired receivables related to customers that were in financial difficulties. The Group does not hold any collateral over these balances.

**(c) Trade receivables that are not impaired**

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	As at 31 October			As at 30
	2013	2014	2015	April 2016
	US\$'000	US\$'000	US\$'000	US\$'000
Neither past due nor impaired . . . . .	154	5,021	885	353
Past due but not impaired:				
Less than 90 days past due . . . . .	665	2,838	3,215	4,065
90 to 180 days past due . . . . .	113	674	2,362	615
Over 180 days past due . . . . .	1,719	822	398	525
At the end of the year/period . . . . .	<u>2,651</u>	<u>9,355</u>	<u>6,860</u>	<u>5,558</u>

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

**15. PLEDGED BANK DEPOSITS**

	As at 31 October			As at 30
	2013	2014	2015	April 2016
	US\$'000	US\$'000	US\$'000	US\$'000
Fixed deposits . . . . .	<u>1,506</u>	<u>1,478</u>	<u>1,249</u>	<u>1,394</u>

(a) Pledged bank deposits have been pledged to banks as security for banking facilities granted to the Group. The pledged bank deposits will be released upon the settlement of the relevant bank borrowings.

(b) Included in fixed deposits pledged to banks are amounts of approximately US\$343,000 and US\$336,000 as at 31 October 2013 and 2014 held in trust under the name of the Company's director. The trust arrangement was terminated during the year ended 31 October 2015.

(c) The effective interest rates of the pledged bank deposits are as follow:

	Year ended 31 October			Six months
	2013	2014	2015	30 April 2016
Pledged bank deposits .....	2.86%	2.91%	3.51%	3.07%

## 16. CASH AND CASH EQUIVALENTS

	As at 31 October			As at 30
	2013	2014	2015	April 2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Cash and bank balances .....	373	262	951	1,264
Less: Bank overdrafts ( <i>Note 18</i> ) .....	(165)	(776)	(829)	—
Cash and cash equivalents in the combined statements of cash flows .....	208	(514)	122	1,264

## 17. TRADE AND OTHER PAYABLES

	As at 31 October			As at 30
	2013	2014	2015	April 2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Trade payables .....	5,302	9,947	4,789	6,836
Other payables and accruals .....	945	1,113	947	1,800
Advance deposits from customers .....	2,386	3,063	1,732	5,491
	8,633	14,123	7,468	14,127

**Ageing analysis of trade payables**

As at 31 October 2013, 2014 and 2015 and 30 April 2016, the ageing analysis of trade payables, based on the invoice date, is as follows:

	As at 31 October			As at 30
	2013	2014	2015	April 2016
	US\$'000	US\$'000	US\$'000	US\$'000
Within 30 days .....	1,187	2,520	1,176	3,142
31 to 90 days .....	1,864	3,402	1,783	2,091
Over 90 days .....	2,251	4,025	1,830	1,603
	<u>5,302</u>	<u>9,947</u>	<u>4,789</u>	<u>6,836</u>

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

**18. BANK BORROWINGS**

	As at 31 October			As at 30
	2013	2014	2015	April 2016
	US\$'000	US\$'000	US\$'000	US\$'000
Bank overdrafts ( <i>Note 16</i> ) .....	165	776	829	—
Bank borrowings .....	9,697	10,126	9,487	9,026
	<u>9,862</u>	<u>10,902</u>	<u>10,316</u>	<u>9,026</u>

At 31 October 2013, 2014 and 2015 and 30 April 2016, the analysis of the carrying amount of secured bank borrowings is as follows:

	As at 31 October			As at 30
	2013	2014	2015	April 2016
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Current liabilities</b>				
Portion of bank overdrafts and borrowings which contain a repayment on demand clause				
Due for repayment within 1 year .....	9,377	10,489	9,398	8,087
Due for repayment after 1 year .....	485	413	918	939
Total .....	<u>9,862</u>	<u>10,902</u>	<u>10,316</u>	<u>9,026</u>

At 31 October 2013, 2014 and 2015 and 30 April 2016, the bank overdrafts and borrowings were due for repayment as follows:

	As at 31 October			As at 30
	2013	2014	2015	April 2016
	US\$'000	US\$'000	US\$'000	US\$'000
Portion of bank overdrafts and borrowings due for repayment within 1 year .....				
	<u>9,377</u>	<u>10,489</u>	<u>9,398</u>	<u>8,087</u>
Bank borrowings due for repayment after 1 year*				
After 1 year but within 2 years .....	55	55	102	117
After 2 years but within 5 years .....	181	191	347	395
After 5 years .....	249	167	469	427
	<u>485</u>	<u>413</u>	<u>918</u>	<u>939</u>
	<u>9,862</u>	<u>10,902</u>	<u>10,316</u>	<u>9,026</u>

\* The amounts due are based on the scheduled repayment dates as stipulated in the respective loan agreements.

At 31 October 2013, 2014 and 2015 and 30 April 2016, the bank borrowings were secured as follows:

	<i>Notes</i>	<b>As at 31 October</b>			<b>As at 30 April</b>
		<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
		<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Bank borrowings</b>					
— secured . . . . .	(i), (ii), (iv)	9,862	10,902	9,339	8,321
— unsecured . . . . .	(iii), (iv)	—	—	977	705
		<b>9,862</b>	<b>10,902</b>	<b>10,316</b>	<b>9,026</b>

At 31 October 2013, 2014 and 2015 and 30 April 2016, the carrying amounts of the bank borrowings were denominated in the following currencies:

	<b>As at 31 October</b>			<b>As at 30 April</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Malaysian Ringgit . . . . .	<b>9,862</b>	<b>10,902</b>	<b>10,316</b>	<b>9,026</b>

As at 31 October 2013, 2014 and 2015 and 30 April 2016, the Group had aggregate banking facilities of approximately US\$14,964,000, US\$17,246,000, US\$17,264,000 and US\$18,886,000 respectively, for loans and borrowings. Unused facilities as at the same date amounted to approximately US\$5,102,000, US\$6,344,000, US\$6,948,000 and US\$9,860,000 respectively.

*Notes:*

The Group's bank loans were secured by:

- (i) Legal charges over freehold lands, buildings and building in progress of the Group (Note 11);
- (ii) Deposits with licensed banks of the Group (Note 15);
- (iii) Deposit with a licensed bank held by a director of the Group (Note 24(c)ii). Such security has been released subsequent to 30 April 2016; and
- (iv) Joint and several guarantees given by directors of the Group (Note 24(c)ii). The directors have confirmed that such guarantees will be released and replaced by a corporate guarantee provided by the Company upon listing of the Company's shares on the Stock Exchange.

## 19. OBLIGATIONS UNDER FINANCE LEASE

As at 31 October 2013, 2014 and 2015 and 30 April 2016, the Group had obligations under finance lease repayable as follows:

	Present value		Present value		Present value		Present value	
	of the minimum lease payments	Total minimum lease payments	of the minimum lease payments	Total minimum lease payments	of the minimum lease payments	Total minimum lease payments	of the minimum lease payments	Total minimum lease payments
	As at 31 October 2013		As at 31 October 2014		As at 31 October 2015		As at 30 April 2016	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Within 1 year . . .	29	31	56	63	41	47	51	60
After 1 year but within								
2 years . . . . .	11	11	57	62	24	28	48	55
After 2 years but within								
5 years . . . . .	9	10	61	64	64	67	113	120
	20	21	118	126	88	95	161	175
	49	52	174	189	129	142	212	235
Less: total future interest expenses . . . . .		(3)		(15)		(13)		(23)
Present value of lease obligations		49		174		129		212

## 20. INCOME TAX IN THE COMBINED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the combined statements of financial position represents:

	As at 31 October			As at 30
	2013	2014	2015	April 2016
	US\$'000	US\$'000	US\$'000	US\$'000
Income tax recoverable . . . . .	241	—	332	490
Income tax payable . . . . .	—	(50)	(13)	(20)
	<u>241</u>	<u>(50)</u>	<u>319</u>	<u>470</u>

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the combined statements of financial position and the movements during the years/period are as follows:

	Depreciation allowances in excess of depreciation	Allowance for doubtful debts	Unrealised foreign exchange gain	Unutilised allowance for significant increase in export claim (Note 9(b)(ii))	Tax losses	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 November 2012 . . . . .	217	—	5	(527)	—	(305)
Charge/(credit) to profit or loss (Note 9) . .	16	—	19	517	(22)	530
Exchange realignment . . . . .	(6)	—	(1)	10	—	3
At 31 October 2013 and 1 November 2013 .	227	—	23	—	(22)	228
Charge/(credit) to profit or loss (Note 9) . .	72	(29)	18	—	22	83
Exchange realignment . . . . .	(12)	—	—	—	—	(12)
At 31 October 2014 and 1 November 2014 .	287	(29)	41	—	—	299
Charge/(credit) to profit or loss (Note 9) . .	(11)	(65)	33	(364)	—	(407)
Exchange realignment . . . . .	(64)	15	(14)	46	—	(17)
At 31 October 2015 and 1 November 2015 .	212	(79)	60	(318)	—	(125)
Charge/(credit) to profit or loss (Note 9) . .	43	(31)	(59)	332	—	285
Exchange realignment . . . . .	23	(9)	3	(14)	—	3
At 30 April 2016 . . . . .	<u>278</u>	<u>(119)</u>	<u>4</u>	<u>—</u>	<u>—</u>	<u>163</u>



For the purpose of presentation in the combined statements of financial position, certain deferred tax assets and liabilities have been offset in the table above. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 October			As at 30
	2013	2014	2015	April 2016
	US\$'000	US\$'000	US\$'000	US\$'000
Deferred tax assets . . . . .	(15)	—	(125)	—
Deferred tax liabilities . . . . .	243	299	—	163
	228	299	(125)	163

(c) Deferred tax assets and liabilities not recognised:

There were no other material unrecognised deferred tax assets and liabilities as at 31 October 2013, 2014 and 2015 and 30 April 2016.

## 21. CAPITAL AND RESERVES

### (a) Movement in components of equity

The reconciliation between the opening and closing balances during the Relevant Periods of each component of the Group's combined equity is set out in the combined statements of changes in equity.

### (b) Share capital

The Company was incorporated in the Cayman Islands on 21 June 2016 and became the holding company of the Group as part of the Reorganisation. Share capital information sets out below represents the amount of authorised and issued capital of the Company as at the date of this report.

As the Reorganisation was not completed as at 31 October 2013, 2014, 2015 and 30 April 2016, for the purpose of this report, the share capital in the combined statements of the financial position as at 31 October 2013, 2014, 2015 and 30 April 2016 represented the aggregate amount of the issued and paid-up capital of the companies comprising the Group at the respective dates.

**(i) Authorised share of the Company**

	<u>No. of shares</u>	<u>Amount</u>
		<i>US\$'000</i>
Ordinary shares of HK\$0.01 each. . . . .	2,000,000,000	2,581

**(ii) Issued shares of the Company**

	<u>No. of shares</u>	<u>Amount</u>
		<i>US\$'000</i>
Ordinary shares of HK\$0.01 each . . . . .	187,500,000	242

**(c) Exchange reserve**

The exchange reserve represents foreign exchange differences arising from the translation of the financial statements of the foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 3.1(q).

**(d) Retained earnings available for distribution**

The Company was incorporated on 21 June 2016 and has not carried on any business since the date of its incorporation. Accordingly, there were no retained earnings available for distribution to equity owners as at 30 April 2016.

**(e) Dividends**

Dividends during each of the years ended 31 October 2013, 2014 and 2015 and the six months ended 30 April 2016 represented dividends declared by the companies now comprising the Group to the then owners of the respective companies for each of the years ended 31 October 2013, 2014 and 2015 and the six months ended 30 April 2016. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

**(f) Capital management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, or sell assets to reduce debt. No changes in the objective, policies or processes for managing capital were made during the Relevant Periods.

The management of the Group reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risk associated with each class of capital. Based on recommendation of the management, the Group will balance its overall capital structure through the payment of dividends as well as issue of new debt or the redemption of the debt.

The Group monitors capital using, inter alia, a gearing ratio which is net debt divided by total equity. Net debt includes bank overdrafts, interest-bearing bank borrowings and obligations under finance leases, less cash and bank balances. The gearing ratio as at 31 October 2013, 2014 and 2015 and 30 April 2016 is as follows:

	As at 31 October			As at 30
	2013	2014	2015	April 2016
	US\$'000	US\$'000	US\$'000	US\$'000
Obligations under finance leases . . . . .	49	174	129	212
Bank borrowings . . . . .	9,697	10,126	9,487	9,026
Bank overdrafts . . . . .	165	776	829	—
	9,911	11,076	10,445	9,238
Less: Cash and bank balances . . . . .	373	262	951	1,264
Net debt . . . . .	<u>9,538</u>	<u>10,814</u>	<u>9,494</u>	<u>7,974</u>
Total equity . . . . .	<u>2,525</u>	<u>2,806</u>	<u>4,733</u>	<u>5,655</u>
Debt-to-equity ratio . . . . .	<u>378%</u>	<u>385%</u>	<u>201%</u>	<u>141%</u>

## 22. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets and financial liabilities are disclosed in Note 3.1.

The Group has classified the financial instruments as follows:

	As at 31 October			As at 30 April
	2013	2014	2015	2016
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Financial assets</b>				
<b>Loans and receivables</b>				
Trade and other receivables . . . . .	3,042	9,479	7,373	6,362
Amounts due from directors . . . . .	1,448	4	—	—
Pledged bank deposits . . . . .	1,506	1,478	1,249	1,394
Cash and bank balances. . . . .	373	262	951	1,264
	<u>6,369</u>	<u>11,223</u>	<u>9,573</u>	<u>9,020</u>

	As at 31 October			As at 30 April
	2013	2014	2015	2016
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Financial liabilities</b>				
<b>Financial liabilities measured at amortised cost</b>				
Trade and other payables . . . . .	6,247	11,060	5,736	8,636
Bank borrowings . . . . .	9,697	10,126	9,487	9,026
Bank overdrafts . . . . .	165	776	829	—
Obligations under finance leases . . . . .	49	174	129	212
Amounts due to directors . . . . .	—	520	734	1,168
	<u>16,158</u>	<u>22,656</u>	<u>16,915</u>	<u>19,042</u>

Exposure to credit, liquidity, interest rate and currency risks arise in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

**(a) Credit risk**

The Group's credit risk is primarily attributable to trade and other receivables, pledged bank deposits and cash at banks. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and debtors requiring credit over a certain amount. These evaluations focus on the past history of making payments of the customers/debtors when due and current ability to pay, and take into account information specific to the customers/debtors as well as pertaining to the economic environment in which the customers/debtors operate. Normally, the Group does not obtain collateral from customers.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer/debtor rather than the industry or country in which the customers/debtors operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers/debtors. As at 31 October 2013, 2014 and 2015 and 30 April 2016, 21%, 43%, 65% and 66% of the trade receivables, respectively, were due from the Group's largest debtor; and 68%, 91%, 92% and 91% of the trade receivables, respectively, were due from the Group's five largest debtors.

The credit risk is also concentrated on amounts due from key management personnel and related parties of the Group. In order to minimise the credit risk, the management of the Group closely monitors the exposure and reviews the recoverable amounts of such receivables to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group is also expected to credit risk through the granting of financial guarantees, further details of which are disclosed in Note 25 to the financial statements.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 14.

#### **(b) Liquidity risk**

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables shows the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash outflows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

For bank borrowings which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings and obligations under finance leases is prepared on the scheduled repayment dates.

### As at 31 October 2013

	Carrying amount	Total				Over 5 years
		Contractual undiscounted cash flows	On demand or less than 1 year	Between 1 to 2 years	Over 2 but less than 5 years	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Non-derivative financial liabilities</b>						
Trade and other payables . . .	6,247	6,247	6,247	—	—	—
Bank borrowings . . . . .	9,697	9,697	9,697	—	—	—
Bank overdrafts . . . . .	165	165	165	—	—	—
Obligations under finance leases . . . . .	49	52	31	11	10	—
	<u>16,158</u>	<u>16,161</u>	<u>16,140</u>	<u>11</u>	<u>10</u>	<u>—</u>
Financial guarantee issued: Maximum amount guaranteed ( <i>Note 25</i> ) . . .	<u>—</u>	<u>4,289</u>	<u>4,289</u>	<u>—</u>	<u>—</u>	<u>—</u>

As at 31 October 2014

	Carrying amount	Total				Over 5 years
		Contractual undiscounted cash flows	On demand or less than 1 year	Between 1 and 2 years	Over 2 but less than 5 years	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Non-derivative financial liabilities</b>						
Trade and other payables . . .	11,060	11,060	11,060	—	—	—
Bank borrowings . . . . .	10,126	10,126	10,126	—	—	—
Bank overdrafts . . . . .	776	776	776	—	—	—
Obligations under finance						
leases . . . . .	174	189	63	62	64	—
Amounts due to directors . .	520	520	520	—	—	—
	<u>22,656</u>	<u>22,671</u>	<u>22,545</u>	<u>62</u>	<u>64</u>	<u>—</u>
Financial guarantee issued:						
Maximum amount						
guaranteed ( <i>Note 25</i> ) . . .	<u>—</u>	<u>4,090</u>	<u>4,090</u>	<u>—</u>	<u>—</u>	<u>—</u>

As at 31 October 2015

	Carrying amount	Total				Over 5 years
		Contractual undiscounted cash flows	On demand or less than 1 year	Between 1 and 2 years	Over 2 but less than 5 years	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Non-derivative financial liabilities</b>						
Trade and other payables . . .	5,736	5,736	5,736	—	—	—
Bank borrowings . . . . .	9,487	9,487	9,487	—	—	—
Bank overdrafts . . . . .	829	829	829	—	—	—
Obligations under finance						
leases . . . . .	129	142	47	28	67	—
Amounts due to directors . .	734	734	734	—	—	—
	<u>16,915</u>	<u>16,928</u>	<u>16,833</u>	<u>28</u>	<u>67</u>	<u>—</u>
Financial guarantee issued:						
Maximum amount						
guaranteed ( <i>Note 25</i> ) . . .	<u>—</u>	<u>3,148</u>	<u>3,148</u>	<u>—</u>	<u>—</u>	<u>—</u>



As at 30 April 2016

	Carrying amount	Total				Over 5 years
		Contractual undiscounted cash flows	On demand or less than 1 year	Between 1 and 5 years	Over 2 but less than 5 years	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Non-derivative financial liabilities</b>						
Trade and other payables . . . . .	8,636	8,636	8,636	—	—	—
Bank borrowings . . . . .	9,026	9,026	9,026	—	—	—
Obligations under finance leases . . . . .	212	235	60	55	120	—
Amounts due to directors . . . . .	1,168	1,168	1,168	—	—	—
	<u>19,042</u>	<u>19,065</u>	<u>18,890</u>	<u>55</u>	<u>120</u>	<u>—</u>
Financial guarantee issued: Maximum amount guaranteed ( <i>Note 25</i> ) . . . . .	<u>—</u>	<u>3,456</u>	<u>3,456</u>	<u>—</u>	<u>—</u>	<u>—</u>

The table below summarises the maturity analysis of bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts are greater than the amounts disclosed in the “on demand or less than 1 year” time band in the maturity analysis contained in the above table.

Taking into account of the Group’s financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

**Maturity Analysis — Bank borrowings subject to a repayment on demand clause based on scheduled repayments**

	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total outflows
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
At 31 October 2013 .....	9,417	91	272	392	10,172
At 31 October 2014 .....	10,525	86	259	288	11,158
At 31 October 2015 .....	9,458	156	468	602	10,684
At 30 April 2016 .....	<u>8,149</u>	<u>171</u>	<u>513</u>	<u>583</u>	<u>9,416</u>

**(c) Interest rate risk**

The Group is exposed to fair value interest rate risk in relation to the Group's fixed-rate short-term pledged deposits. The management of the Group considers that the Group's exposure from these fixed-rate short-term pledged deposits to interest rate risk is not significant.

The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The interest rate profile of the Group's bank borrowings was:

	As at 31 October			As at 30 April
	2013	2014	2015	2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Variable rate instruments</b>				
Financial liabilities				
— bank overdrafts				
<i>(see Notes 16 and 18)</i> .....	165	776	829	—
— bank loans <i>(see Note 18)</i> .....	<u>9,697</u>	<u>10,126</u>	<u>9,487</u>	<u>9,026</u>
	<u>9,862</u>	<u>10,902</u>	<u>10,316</u>	<u>9,026</u>

As at 31 October 2013, 2014 and 2015 and 30 April 2016, it is estimated that a general increase/decrease of 30, 30, 25, 25 basis points respectively in interest rates for bank borrowings with all other variables held constant, would decrease/increase the Group's profit for the year/period and retained earnings by approximately US\$22,000, US\$25,000, US\$19,000 and US\$17,000, respectively.

The sensitivity analysis above indicates annualised impact on the Group's net interest that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to floating rate instruments which expose the Group to cash flow interest rate risk at that date. The analysis has been performed on the same basis throughout the Relevant Periods.

**(d) Foreign currency exchange risk**

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

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, that is, a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars, Singapore dollars, Euro, Australian dollars and Hong Kong dollars.

**i) Exposure to currency risk**

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in United States dollars, translated using the spot rate at the reporting dates.

	31 October 2013				
	United States dollars	Singapore dollars	Euro	Australian dollars	Hong Kong dollars
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Financial assets</b>					
Trade and other receivables . . . .	43	752	6	497	—
Cash and bank balances . . . . .	39	48	—	9	—
<b>Financial liabilities</b>					
Trade and other payables . . . . .	(394)	(522)	(83)	(174)	(134)
	<u>(312)</u>	<u>278</u>	<u>(77)</u>	<u>332</u>	<u>(134)</u>

31 October 2014

	United States dollars	Singapore dollars	Euro	Australian dollars	Hong Kong dollars
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Financial assets</b>					
Trade and other receivables . . . .	1,157	4,207	6	96	—
Cash and bank balances . . . . .	42	2	—	150	—
<b>Financial liabilities</b>					
Trade and other payables . . . . .	(843)	(1,581)	(402)	(68)	(268)
	<u>356</u>	<u>2,628</u>	<u>(396)</u>	<u>178</u>	<u>(268)</u>

31 October 2015

	United States dollars	Singapore dollars	Euro	Australian dollars	Hong Kong dollars
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Financial assets</b>					
Trade and other receivables . . . .	187	4,585	75	1,014	—
Cash and bank balances . . . . .	800	21	—	4	—
<b>Financial liabilities</b>					
Trade and other payables . . . . .	(258)	(728)	(296)	(98)	(226)
	<u>729</u>	<u>3,878</u>	<u>(221)</u>	<u>920</u>	<u>(226)</u>

30 April 2016

	United States dollars	Singapore dollars	Euro	Australian dollars	Hong Kong dollars
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Financial assets</b>					
Trade and other receivables . . . . .	577	3,959	609	155	—
Cash and bank balances . . . . .	67	459	—	89	—
<b>Financial liabilities</b>					
Trade and other payables . . . . .	(205)	(801)	(200)	(240)	(266)
	<u>439</u>	<u>3,617</u>	<u>409</u>	<u>4</u>	<u>(266)</u>

*ii) Sensitivity analysis*

The following table indicates the approximate change in the Group's profit after tax (and retained profits) in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

	As at 31 October 2013		As at 31 October 2014		As at 31 October 2015		As at 30 April 2016	
	Increased/ (decrease) in foreign exchange rate	Effect on profit after taxation and retained earnings	Increased/ (decrease) in foreign exchange rate	Effect on profit after taxation and retained earnings	Increased/ (decrease) in foreign exchange rate	Effect on profit after taxation and retained earnings	Increased/ (decrease) in foreign exchange rate	Effect on profit after taxation and retained earnings
		US\$'000		US\$'000		US\$'000		US\$'000
United States dollars	12%	(28)	6%	16	35%	191	14%	47
	(12%)	28	(6%)	(16)	(35%)	(191)	(14%)	(47)
Singapore dollars	8%	17	4%	79	21%	611	8%	220
	(8%)	(17)	(4%)	(79)	(21%)	(611)	(8%)	(220)
Euro	14%	(8)	11%	(33)	28%	(46)	10%	31
	(14%)	8	(11%)	33	(28%)	46	(10%)	(31)
Australian dollar	12%	30	7%	9	12%	83	7%	—
	(12%)	(30)	(7%)	(9)	(12%)	(83)	(7%)	—
Hong Kong dollars	12%	(12)	6%	(12)	35%	(59)	14%	(28)
	(12%)	12	(6%)	12	(35%)	59	(14%)	28

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after taxation and equity measured in the respective functional currency, translated to United States dollars at the exchange rate ruling at the end of the reporting periods for presentation purposes. The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting periods, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currency of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency.

**(e) Fair values estimations**

The carrying amount of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 October 2013, 2014, 2015 and 30 April 2016.

**23. COMMITMENTS**

**(a) Capital commitments**

As at 31 October 2013, 2014 and 2015 and 30 April 2016, capital expenditures contracted for at the end of the year/period but not provided for in the Financial Information are as follows:

	As at 31 October			As at 30 April
	2013	2014	2015	2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Property, plant and equipment . . . . .	—	1,300	1,214	430
Capital contribution to a PRC entity* . . .	—	—	1,583	1,544
	—	1,300	2,797	1,974

\* On 29 July 2015, Gemilang Coachwork entered into an agreement with an independent third party to jointly establish a company in the People's Republic of China with a registered capital of 100 million Chinese Yuan Renminbi ("RMB"). The share of capital contribution between the third party and Gemilang Coachwork will be 90% and 10% respectively. On 14 June 2016, both parties entered into a cancellation agreement and the transaction was terminated.

**(b) Operating commitments**

The Group leases offices and equipment which are non-cancellable with lease terms between 1 and 5 years. The lease expenses charged to the combined statements of profit or loss and other comprehensive income during the Relevant Periods are disclosed in Note 6(c).

The future aggregate minimum lease rental expenses in respect of office premises and equipment under non-cancellable operating leases are as follows:

	As at 31 October			As at 30 April
	2013	2014	2015	2016
	US\$'000	US\$'000	US\$'000	US\$'000
No later than 1 year . . . . .	51	18	11	44
After 1 year but within 5 years . . . . .	—	8	1	6
	<u>51</u>	<u>26</u>	<u>12</u>	<u>50</u>

## 24. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the Financial Information, the Group entered into the following material related party transactions.

The directors of the Company are of the view that following parties/companies were related parties that had transactions or balances with the Group during the Relevant Periods:

<b>Name of party</b>	<b>Relationship with the Group</b>
Mr. Phang Sun Wah	Director and one of the Controlling Shareholders
Mr. Pang Chong Yong	Director and one of the Controlling Shareholders
Ms. Phang Huey Shyan	Director and daughter of Mr. Phang Sun Wah
Mr. Phang Jyh Siong	Son of Mr. Phang Sun Wah
GML Property Sdn. Bhd.	A company controlled by the Controlling Shareholders
GML Marketing Sdn. Bhd.	A company controlled by the Controlling Shareholders
Gemilang Australia Pty Ltd.	A company that Mr. Pang Chong Yong has significant influence
SW Excel Tech Engineering Sdn. Bhd.	A company controlled by close family members of Mr. Pang Chong Yong
P&P Excel Car Air-Conditioning Sdn. Bhd.	A company controlled by close family members of Mr. Pang Chong Yong
P&P Excel Tech Engineering Sdn. Bhd.	A company controlled by close family members of Mr. Pang Chong Yong
GML Technologies Sdn. Bhd.	A company controlled by the Controlling Shareholders

**(a) Key management personnel remuneration**

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	Year ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				(Unaudited)	
Short-term employee benefits . . .	385	386	490	294	310
Post-employment benefits . . . . .	34	34	41	21	25
	<u>419</u>	<u>420</u>	<u>531</u>	<u>315</u>	<u>335</u>

**(b) Financing arrangements with related parties**

As at the end of each reporting period, the Group has the following balances with related parties:

	Notes	Year ended 31 October			Six months ended 30 April
		2013	2014	2015	2016
		US\$'000	US\$'000	US\$'000	US\$'000
Amounts due from/(to) directors					
— Phang Sun Wah . . . . .	(i), (ii)	936	(171)	(320)	(588)
— Pang Chong Yong . . . . .	(i), (ii)	512	(349)	(414)	(580)
— Phang Huey Shyan . . . . .	(i), (ii)	—	4	—	—
		<u>1,448</u>	<u>(516)</u>	<u>(734)</u>	<u>(1,168)</u>
Amounts due from/(to) a close family member of a director					
Non-trade nature					
— Phang Jyh Siong . . . . .	(i), (ii), (iii)	76	50	—	—
		<u>76</u>	<u>50</u>	<u>—</u>	<u>—</u>



	Notes	Year ended 31 October			Six months ended 30 April
		2013	2014	2015	2016
		US\$'000	US\$'000	US\$'000	US\$'000
Amounts due from/(to) related companies					
— Gemilang Australia Pty Ltd. . . . .	(i), (ii), (iii)	389	120	(207)	161
— GML Marketing Sdn. Bhd. . . . .	(i), (iii)	(45)	(71)	—	3
— SW Excel Tech Engineering Sdn. Bhd. . . . .	(i), (iii)	—	(115)	(17)	(64)
— P&P Excel Car Air-Conditioning Sdn. Bhd. . . . .	(i), (iii)	(13)	(10)	(49)	(5)
— P&P Excel Tech Engineering Sdn. Bhd. .	(i), (iii)	—	—	—	(46)
— GML Property Sdn. Bhd. . . . .	(i), (iii)	(74)	(158)	—	—
		<u>257</u>	<u>(234)</u>	<u>(273)</u>	<u>49</u>

## Notes:

- (i) The outstanding with these parties are unsecured, interest-free and repayable on demand.
- (ii) No provision for bad and doubtful debts have been made in respect of the amounts due from related parties as at 31 October 2013, 2014 and 2015 and 30 April 2016.
- (iii) The outstanding balance is included in trade and other receivables (Note 14) and trade and other payables (Note 17).

**(c) Other related party transactions**

- (i) During the Relevant Periods, the Company entered into the following material related party transactions:

## Continuing transactions

	Years ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Sales of bus body					
— Gemilang Australia Pty Ltd. . . . .	525	8	—	—	—
Sales of parts and services					
— Gemilang Australia Pty Ltd. . . . .	28	17	28	3	58
— P&P Excel Car Air-Conditioning Sdn. Bhd. . . . .	79	35	20	—	—
	107	52	48	3	58
Purchases of parts and services					
— Gemilang Australia Pty Ltd. . . . .	—	262	3	—	—
— P&P Excel Car Air-Conditioning Sdn. Bhd. . . . .	62	37	69	27	41
— P&P Excel Tech Engineering Sdn. Bhd. . . . .	—	—	—	—	41
	62	299	72	27	82
Commission expenses					
— Gemilang Australia Pty Ltd. . . . .	—	348	1,246	222	632

## Non-continuing transactions

	Years ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Service fee for application of certification					
— Gemilang Australia Pty Ltd. . . . .	—	—	105	—	—
Purchase of land					
— GML Property Sdn. Bhd. (Note 27(a)) . . . . .	—	—	1,146	—	—
Rental expenses					
— GML Property Sdn. Bhd. . . . .	118	102	—	—	—
Assignment of debts to Controlling Shareholders (Note 27(a)) . . . . .	—	—	344	—	—
Sales of parts and services					
— SW Excel Tech Engineering Sdn. Bhd. . . . .	—	10	—	—	—
Purchase of parts and services					
— SW Excel Tech Engineering Sdn. Bhd. . . . .	199	209	277	221	91
— GML Marketing Sdn. Bhd. . . . .	61	51	5	6	—
	260	260	282	227	91

- (ii) The directors of the Group have provided their personal guarantees to banks for the banking facilities granted to the Group during the Relevant Periods (Note 18). In addition, as at 31 October 2015 and 30 April 2016, a fixed bank deposit held by Mr. Phang Sun Wah has been pledged to a bank for banking facilities and performance bonds granted to the Group (Note 18). The directors have confirmed that the personal guarantee will be released and replaced by a corporate guarantee provided by the Company upon listing of the Company's shares on the Stock Exchange and the pledged deposit has been released subsequent to 30 April 2016.
- (iii) At the end of each reporting period during the Relevant Periods, the Group had financial guarantees provided to related parties, details of which are set out in the Note 25. The financial guarantees provided to related parties will be released upon listing of the Company's shares on the Stock Exchange.



## 26. CONTINGENT LIABILITIES

## (i) Performance bonds

	Year ended 31 October			Six months
	2013	2014	2015	ended 30
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	April 2016
Performance bonds for contracts in favour of customers . . . . .	713	688	3,372	4,036

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

## (ii) Financial guarantees

At the end of each reporting period during the Relevant Periods, the Group has contingent liabilities regarding the financial guarantees issued. Details of which are disclosed in Note 25.

Except for the above mentioned, the Group did not have any significant contingent liabilities as at the end of each reporting period during the Relevant Periods.

**27. MAJOR NON-CASH TRANSACTIONS**

- (a) In October 2014, GML Property Sdn. Bhd. entered into an agreement for sale and purchase with Gemilang Coachwork, under which GML Property Sdn. Bhd. conditionally agreed to sell its freehold lands to Gemilang Coachwork at a consideration of US\$1,146,000. The sales and purchase was completed during the year ended 31 October 2015, and the consideration payable of US\$802,000 was satisfied by bank loans granted to Gemilang Coachwork through direct credit of the same amount from the bank to the bank accounts of GML Property Sdn. Bhd. The remaining balance of US\$344,000 was assigned to the Controlling Shareholders through the current accounts maintained between the Group and the Controlling shareholders during the year ended 31 October 2015.
- (b) During the years ended 31 October 2013, 2014 and 2015, Gemilang Coachwork declared interim dividend of approximately US\$3,215,000, US\$2,008,000 and US\$2,265,000, respectively. The amounts were settled through the current accounts maintained between the Group and the Controlling Shareholders.
- (c) During the year ended 31 October 2015, additions to intangible assets amounting to US\$105,000 were settled by offsetting the prepayment.
- (d) As detailed in Note 11(a), during the years ended 31 October 2013, 2014 and 2015 and period ended 30 April 2016, additions to motor vehicles of the Group financed by new finance lease were approximately US\$32,000, US\$170,000, US\$93,000 and US\$85,000 respectively.

**28. SUBSEQUENT EVENTS**

The following significant events took place subsequent to 30 April 2016:

**(a) Group reorganisation**

The Group completed steps (i) to (ix) of the Reorganisation as detailed in the section headed "History, reorganisation and corporate structure" in the Prospectus. As a result of the Reorganisation the Company became the holding company of the Group.

**(b) Terminated joint venture agreement**

As detailed in Note 23, on 29 July 2015, Gemilang Coachwork entered into an agreement with an independent third party to jointly establish a company in the People's Republic of China with registered capital of 100 million Chinese Yuan Renminbi ("RMB"). The share of capital contribution between the third party and Gemilang Coachwork will be 90% and 10% respectively. On 14 June 2016, both parties entered into a cancellation agreement and the transaction was terminated.

**(c) Share option scheme**

A share option scheme was conditionally adopted by the Company on 21 October 2016 and the principal terms of the share option scheme are set out in the paragraph headed "Statutory and general information — Share option scheme" in Appendix VI in the Prospectus.

**(d) Acquisition of equity interest in Gemilang Australia Pty Ltd.**

On 20 July 2016, the Group acquired 50% equity interest of Gemilang Australia Pty Ltd. from Mr. Pang Chong Yong, director and one of the Controlling Shareholders, at the consideration of AU\$200. Upon completion of the acquisition, Gemilang Australia Pty Ltd. became an associate of the Group.

**(e) Declaration of interim dividend**

On 1 July 2016, Gemilang Coachwork declared an interim dividend of approximately US\$753,000 which has been paid in full in September 2016.

**29. FINANCIAL INFORMATION OF THE COMPANY**

No statement of financial position of the Company was presented for the purpose of this report, as the Company was incorporated, after the Relevant Periods, on 21 June 2016 as disclosed in Note 1 above.

**30. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 30 April 2016.

Yours faithfully,

**Crowe Horwath (HK) CPA Limited**

*Certified Public Accountants*

Hong Kong

Lau Kwok Hung

Practising Certificate No.: P04169



*The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the Company's reporting accountants, Crowe Horwath (HK) CPA Limited, Certified Public Accountants, Hong Kong.*



國富浩華(香港)會計師事務所有限公司  
**Crowe Horwath (HK) CPA Limited**  
Member Crowe Horwath International

9/F Leighton Centre,  
77 Leighton Road,  
Causeway Bay, Hong Kong  
Main: (852) 2894 6888  
Fax: (852) 2895 3752  
Email: info@crowehorwath.hk

31 October 2016

The Directors

Gemilang International Limited

Alliance Capital Partners Limited

Dear Sirs,

We set out below our report on the financial information relating to Gemilang Australia Pty Ltd (the "Target Company") comprising the statements of financial position of the Target Company as at 31 October 2013, 2014 and 2015 and 30 April 2016, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of the Target Company for each of the years ended 31 October 2013, 2014 and 2015 and the six months ended 30 April 2016 (the "Relevant Periods"), together with the explanatory information thereto (the "Target Company Financial Information") for inclusion in the prospectus of the Gemilang International Limited (the "Company") dated 31 October 2016 (the "Prospectus").

The Target Company was incorporated in Australia on 15 September 2009 with limited liability. The Target Company is principally engaged in the provision of sales and marketing services of buses and coaches and the relevant after-sales services and supporting services. Pursuant to an acquisition which was completed on 20 July 2016, the Company and its subsidiaries (the "Group") acquired 50% equity interest of the Target Company.

As at the date of this report, no statutory financial statements have been prepared for the Target Company, as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

For the purpose of this report, the directors of the Target Company have prepared the financial statements of the Target Company for the Relevant Periods (the “Target Company Underlying Financial Statements”) on the same basis as used in the preparation of the Target Company Financial Information set out in Section II below. The Target Company Underlying Financial Statements for each of the years ended 31 October 2013, 2014 and 2015 and the six months ended 30 April 2016 were audited by us under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Target Company Financial Information has been prepared by the directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) based on the Target Company Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

#### **DIRECTORS' RESPONSIBILITY FOR THE TARGET COMPANY FINANCIAL INFORMATION**

The directors of the Company are responsible for the preparation of the Target Company Financial Information that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA, the applicable disclosure requirement of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Target Company Financial Information that is free from material misstatement, whether due to fraud or error.

#### **REPORTING ACCOUNTANTS' RESPONSIBILITY**

Our responsibility is to form an opinion on the Target Company Financial Information based on our procedures performed in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA. We have not audited any financial statements of the Target Company in respect of any period subsequent to 30 April 2016.

#### **OPINION**

In our opinion, the Target Company Financial Information gives, for the purpose of this report and on the basis of preparation set out in Note 2.2 of Section II below, a true and fair view of the financial position of the Target Company as at 31 October 2013, 2014 and 2015 and 30 April 2016 and of the Target Company’s financial performance and cash flows for the Relevant Periods then ended.

**EMPHASIS OF MATTER**

Without qualifying our opinion in respect of the Target Company Financial Information, we draw attention to Note 2.2 of Section II below to the Target Company Financial Information which indicates that the Target Company incurred a loss after tax of approximately AU\$192,000 for the six months ended 30 April 2016 and as of 31 October 2013, 2014 and 2015 and 30 April 2016, the Target Company's current liabilities exceeded its current assets by approximately AU\$1,013,000, AU\$825,000, AU\$572,000 and AU\$760,000, and had deficits on the shareholders' fund of approximately AU\$1,011,000, AU\$836,000, AU\$598,000 and AU\$790,000 respectively. These conditions, along with other matters as set out in Note 2.2, indicate the existence of a material uncertainty which may cast significant doubt about the Target Company's ability to continue as going concern.

**CORRESPONDING FINANCIAL INFORMATION**

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Target Company comprising the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the six months ended 30 April 2015, together with the explanatory information thereon (the "Corresponding Target Company Financial Information"), for which the directors of the Company are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Target Company Financial Information in accordance with the same basis adopted in respect of the Target Company Financial Information. Our responsibility is to express a conclusion on the Corresponding Target Company Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Target Company Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Target Company Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Target Company Financial Information.

## I. TARGET COMPANY FINANCIAL INFORMATION

## (a) Statements of profit or loss and other comprehensive income

	Section II Note	Year ended 31 October			Six months ended 30 April	
		2013	2014	2015	2015	2016
		AUS'000	AUS'000	AUS'000	AUS'000	AUS'000
					(Unaudited)	
Revenue . . . . .	4	1,131	782	1,537	222	741
Cost of sales . . . . .		(717)	(193)	(398)	(91)	(393)
<b>Gross profit . . . . .</b>		<b>414</b>	<b>589</b>	<b>1,139</b>	<b>131</b>	<b>348</b>
Other revenue . . . . .	5	—	78	5	—	—
General and administrative expenses . . . . .		(298)	(384)	(767)	(286)	(597)
<b>Profit/(loss) from operations . . . . .</b>		<b>116</b>	<b>283</b>	<b>377</b>	<b>(155)</b>	<b>(249)</b>
Finance costs . . . . .	6(a)	(30)	(24)	(28)	(13)	(12)
<b>Profit/(loss) before taxation . . . . .</b>	6	<b>86</b>	<b>259</b>	<b>349</b>	<b>(168)</b>	<b>(261)</b>
Income tax (expense)/credit . .	9	(27)	(84)	(111)	50	69
<b>Profit/(loss) and total comprehensive income/(loss) for the year/period attributable to equity owners of the Target Company . . . . .</b>		<b>59</b>	<b>175</b>	<b>238</b>	<b>(118)</b>	<b>(192)</b>
<b>Earnings/(losses) per share</b>	10					
— Basic and diluted (AU\$ per share) . . . . .		148	438	595	(295)	(480)

**(b) Statements of financial position**

	<i>Section II</i>	As at 31 October			As at 30 April
		2013	2014	2015	2016
		<i>Note</i>	AUS\$'000	AUS\$'000	AUS\$'000
<b>Non-current asset</b>					
Property, plant and equipment . . . .	11	2	1	17	15
Deferred tax assets . . . . .	17(b)	—	26	82	151
		2	27	99	166
<b>Current assets</b>					
Inventories . . . . .	12	1	15	23	89
Trade and other receivables . . . . .	13	31	15	311	21
Amount due from a director . . . . .	20(b)	1	20	56	89
Cash and bank balances . . . . .	14	11	1	20	106
		44	51	410	305
<b>Current liabilities</b>					
Trade and other payables . . . . .	15	503	293	349	723
Bank overdrafts . . . . .	14,16	249	240	204	—
Tax payable . . . . .	17(a)	46	152	300	289
Amount due to a director . . . . .	20(b)	63	73	53	53
Amount due to a related company . . . . .	20(b)	196	118	76	—
		1,057	876	982	1,065
<b>Net current (liabilities)</b> . . . . .		(1,013)	(825)	(572)	(760)
<b>Total assets less current liabilities</b> . . . . .					
		(1,011)	(798)	(473)	(594)
<b>Non-current liability</b>					
Trade and other payable . . . . .	15	—	38	125	196
<b>Net liabilities</b> . . . . .		(1,011)	(836)	(598)	(790)
<b>Capital and reserves</b> . . . . .					
Share capital . . . . .		—	—	—	—
Accumulated losses . . . . .		(1,011)	(836)	(598)	(790)
<b>Total equity attributable to equity owners of the Target Company</b> . . . . .					
		(1,011)	(836)	(598)	(790)

## (c) Statements of changes in equity

	Attributable to equity owners of the Target Company		
	Share capital	Accumulated losses	Total
	AU\$'000	AU\$'000	AU\$'000
<b>At 1 November 2012</b> . . . . .	—	(1,070)	(1,070)
<b>Changes in equity for 2012/2013:</b>			
Profit and comprehensive income for the year . . . . .	—	59	59
<b>At 31 October 2013</b> . . . . .	—	(1,011)	(1,011)
<b>At 1 November 2013</b> . . . . .	—	(1,011)	(1,011)
<b>Changes in equity for 2013/2014:</b>			
Profit and comprehensive income for the year . . . . .	—	175	175
<b>At 31 October 2014</b> . . . . .	—	(836)	(836)
<b>At 1 November 2014</b> . . . . .	—	(836)	(836)
<b>Changes in equity for 2014/2015:</b>			
Profit and comprehensive income for the year . . . . .	—	238	238
<b>At 31 October 2015</b> . . . . .	—	(598)	(598)
<b>At 1 November 2015</b> . . . . .	—	(598)	(598)
<b>Changes in equity for the six months ended 30 April 2016:</b>			
Loss and comprehensive loss for the period . . . . .	—	(192)	(192)
<b>At 30 April 2016</b> . . . . .	—	(790)	(790)
<b>At 1 November 2014</b> . . . . .	—	(836)	(836)
<b>Changes in equity for the six months ended 30 April 2015</b>			
Loss and comprehensive loss for the period . . . . .	—	(118)	(118)
<b>At 30 April 2015 (unaudited)</b> . . . . .	—	(954)	(954)

**(d) Statements of cash flows**

	<i>Section II</i>	Year ended 31 October			Six months ended 30 April	
		<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2015</b>	<b>2016</b>
	<i>Note</i>	<i>AUS\$'000</i>	<i>AUS\$'000</i>	<i>AUS\$'000</i>	<i>AUS\$'000</i>	<i>AUS\$'000</i>
					(Unaudited)	
<b>Operating activities</b>						
Profit/(loss) before taxation. . .		86	259	349	(168)	(261)
Adjustments for:						
Allowance for impairment						
losses on receivable . . . . .	<i>6(c)</i>	—	22	21	10	32
Depreciation . . . . .	<i>6(c)</i>	3	1	1	—	4
Write down of inventories . . .	<i>12</i>	19	—	49	—	44
Interest expenses . . . . .	<i>6(a)</i>	30	24	28	13	12
<b>Operating cash flows before movements in working capital . . . . .</b>						
		138	306	448	(145)	(169)
(Increase) in inventories . . . . .		(20)	(14)	(57)	(23)	(110)
Decrease/(increase) in trade and other receivables . . . . .		112	16	(296)	(245)	290
(Decrease)/increase in trade and other payables . . . . .		(294)	(172)	143	425	445
<b>Cash (used in)/generated from operations . . . . .</b>						
		(64)	136	238	12	456
Income tax paid . . . . .		—	(5)	(19)	(5)	(11)
<b>Net cash (used in)/generated from operating activities . . . . .</b>						
		(64)	131	219	7	445
<b>Investing activity</b>						
Payment for purchase of plant and equipment . . . . .		—	—	(17)	—	(2)
<b>Net cash (used in) investing activity. . . . .</b>						
		—	—	(17)	—	(2)

Section II	Year ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
Note	AU\$'000	AU\$'000	AU\$'000	AU\$'000	AU\$'000
				(Unaudited)	
<b>Financing activities</b>					
Change in balance with the directors . . . . .	64	(9)	(56)	(25)	(33)
Change in balance with a related company . . . . .	—	(99)	(63)	(52)	(108)
Interest expenses . . . . .	(30)	(24)	(28)	(13)	(12)
<b>Net cash generated from/(used in) financing activities . . . . .</b>	<b>34</b>	<b>(132)</b>	<b>(147)</b>	<b>(90)</b>	<b>(153)</b>
<b>Net (decrease)/increase in cash and cash equivalents . . . . .</b>	<b>(30)</b>	<b>(1)</b>	<b>55</b>	<b>(83)</b>	<b>290</b>
<b>Cash and cash equivalents at beginning of the years/periods . . . . .</b>	<b>(208)</b>	<b>(238)</b>	<b>(239)</b>	<b>(239)</b>	<b>(184)</b>
<b>Cash and cash equivalents at end of the years/periods . . . . .</b>	<b>(238)</b>	<b>(239)</b>	<b>(184)</b>	<b>(322)</b>	<b>106</b>

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**II. NOTES TO THE TARGET COMPANY FINANCIAL INFORMATION****1. CORPORATE INFORMATION**

Gemilang Australia Pty Ltd (the “Target Company”) was incorporated in Australia on 15 September 2009 with limited liability. The Target Company’s registered office and principal place of business is located at Suite 2, 315 Bulwer Street, North Perth, WA 6006 and 404 Orrong Road, Welshpool, WA 6106 respectively.

The Target Company is principally engaged in the provision of sales and marketing services of buses and coaches and the relevant after-sales services and supporting services.

**2.1 STATEMENT OF COMPLIANCE**

The Target Company Financial Information set out in this report has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the HKICPA. Further details of the significant accounting policies adopted are set out in the remainder of this Section II.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing the Target Company Financial Information, the Target Company has adopted all these new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the Relevant Periods. The revised and new accounting standards and interpretations issued but not yet effective for the Relevant Periods and not yet adopted in this Target Company Financial Information are set out in Note 2.3.

The Target Company Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The accounting policies set out below have been applied consistently to all periods presented in the Target Company Financial Information.

**2.2 BASIS OF PREPARATION**

The Target Company had incurred a loss after tax of approximately AU\$192,000 for the six months ended 30 April 2016 and as of 31 October 2013, 2014 and 2015 and 30 April 2016, the Target Company’s current liabilities exceeded its current assets by approximately AU\$1,013,000, AU\$825,000, AU\$572,000 and AU\$760,000, and had deficits on the shareholders’ fund of

approximately AU\$1,011,000, AU\$836,000, AU\$598,000 and AU\$790,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Target Company's ability to continue as a going concern.

Having regard to the continuing financial support received from the shareholders, the directors of the Company are of the opinion that the Target Company is able to continue as a going concern and to meet its obligations in full as, and when they fall due. Accordingly, the directors of the Company consider it appropriate to prepare the Target Company Financial Information on a going concern basis.

The Target Company Financial Information has been prepared under the historical cost convention. The Target Company Financial Information is presented in Australian dollars ("AU\$"), rounded to the nearest thousand, unless otherwise stated, which is also the functional currency of the Target Company.

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

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

Judgments made by management in the application of HKFRSs that have a significant effect on the Target Company Financial Information and major sources of estimation uncertainty are discussed in Note 3.2.

**2.3 NEW AND REVISED HKFRSs NOT YET EFFECTIVE**

The Target Company has not applied the following new or revised HKFRSs that have been issued but are not yet effective for the Relevant Periods, in the Target Company Financial Information:

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

	Effective for accounting periods beginning on or after
HKFRS 14, Regulatory Deferral Accounts	1 January 2016
HKFRS 15, Revenue from Contracts with Customers	1 January 2018
HKFRS 16, Leases	1 January 2019

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

### **HKFRS 9 Financial Instruments**

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

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

### **HKFRS 15 Revenue from Contracts with Customers**

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

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

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

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

### **HKFRS 16 Leases**

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

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

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

The Target Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Target Company's results but it is expected that the certain portion of the lease commitment will be required to be recognised in the statement of financial position as right-of-use assets and lease liabilities.

**3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(a) Related parties**

A party is considered to be related to the Target Company if:

(A) the party is a person, or a close member of that person's family and that person:

- (i) has control or joint control over the Target Company;
- (ii) has significant influence over the Target Company; or
- (iii) is a member of the key management personnel of the Target Company.

(B) the party is an entity where any of the following conditions applies:

- (i) The entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (A).
- (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or to the Target Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

**(b) Property, plant and equipment and depreciation**

Property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses (see Note 3.1(d)):

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives. The principal annual rates used for this purpose are as follows:

Computer and office equipment	11.11% to 50%
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Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

**(c) Leased assets**

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Target Company determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

**(i) Operating lease charges**

Leases which do not transfer substantially all the risks and rewards of ownership to the Target Company are classified as operating leases.

Where the Target Company has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

**(d) Impairment of assets****(i) *Impairment of investments in equity securities and other receivables***

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Target Company about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.
- For trade receivables and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as



impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Target Company is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

***(ii) Impairment of other assets***

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— Property, plant and equipment

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time

value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (that is, a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

**(e) Inventories**

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

**(f) Trade and other receivables**

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see Note 3.1(d)).

**(g) Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

**(h) Trade and other payables**

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

**(i) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Target Company's cash management are also included as a component of cash and cash equivalents for the purpose of the combined statement of cash flows.

**(j) Employee benefits****(i) Short term employee benefits**

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are recognised in profit or loss in the period in which the associated services are rendered by employees of the Target Company.

**(ii) Defined Contribution Plans**

The Target Company's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate.

**(k) Income tax**

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax

assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Target Company controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Target Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Target Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or

- different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

**(l) Provisions and contingent liabilities**

Provisions are recognised for other liabilities of uncertain timing or amount when the Target Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Provisions for the expected cost of warranty obligations under the relevant sales contracts are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Target Company's obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(m) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Target Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

**(i) Sale of Goods**

Revenue is measured at fair value of the consideration received or receivable and is recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

**(ii) Commission and services income**

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

Services income received but not yet recognised as revenue are presented as deferred revenue.

**(iii) Interest Income**

Interest income is recognised as it accrues using the effective interest method.

**(n) Translation of foreign currencies**

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

**(o) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

**(p) Segment reporting**

Operating segments, and the amounts of each segment item reported in the Target Company Financial Information, are identified from the financial information provided regularly to the Target Company's board of directors (the chief operating decision maker) for the purposes of allocating resources to, and assessing the performance of, the Target Company's various lines of business and geographical locations.

### 3.2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The Target Company's financial position and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the Target Company Financial Information. Management bases the assumptions and estimates on historical experience and on other factors that the management believes to be reasonable and which form the basis for making judgments about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of significant accounting policies, the judgments and other uncertainties affecting the application of those policies and the sensitivity of reporting results to changes in conditions and assumptions are factors to be considered when reviewing the Target Company Financial Information. The significant accounting policies are set out in Note 3.1 above. Management believes the following significant accounting policies involve the most significant judgments and estimates used in the preparation of the Target Company Financial Information.

#### (i) Impairment of trade and other receivables

Management determines impairment losses of trade receivables on a regular basis (which are recorded in an allowance account for doubtful debts) resulting from the inability of the debtors to make the required payments. Management bases its estimates on the ageing of the trade and other receivables balance, customer credit-worthiness and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than expected and could significantly affect the results in future periods.

#### (ii) Net realisable value of inventories

As described in Note 3.1(e), net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling the products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior periods and affect the Target Company's net assets value. Management reassesses these estimates at the end of each reporting period to ensure inventories are shown at the lower of cost and net realisable value.



**(iii) Recognition of income taxes and deferred tax assets**

Determining income tax provision involves judgment on the future tax treatment of certain transactions. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences, unused tax losses and unused tax credits. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

**4. REVENUE AND SEGMENT REPORTING****(a) Revenue**

The principal activities of the Target Company are engaged in the provision of sales and marketing services of buses and coaches and the provision of after-sales services and supporting services. The principal activity of the Target Company for the year ended 31 October 2013 was mainly trading of bus complete unit. Revenue represents the value of goods and services provided to customers.

	Year ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
	AU\$'000	AU\$'000	AU\$'000	AU\$'000	AU\$'000
				(Unaudited)	
Sales of buses and spare-parts . . . . .	1,090	215	15	5	2
Commission and services income . . . . .	41	567	1,522	217	739
	<u>1,131</u>	<u>782</u>	<u>1,537</u>	<u>222</u>	<u>741</u>

**(b) Reportable segments**

During the Relevant Periods, the information reported to the board of directors of the Target Company, being the chief operating decision maker for the purpose of resources allocation and assessment of performance, is the financial information of the Target Company as a whole as reported under HKFRSs. Such information does not contain profit or loss information of particular services line or particular products. Therefore, the directors of the Target Company have determined that the Target Company has only one single reportable segment and allocate resources and access performance on an aggregate basis.

**Geographical information**

The following tables set out information about the geographical location of the Target Company's revenue from external customers, the geographical location of the customers is based on the location at which the goods delivered and services are provided. Information about its non-current assets is analysed by geographical location of assets.

	<b>Revenues from external customers</b>				
	<b>Year ended 31 October</b>			<b>Six months ended 30 April</b>	
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2015</b>	<b>2016</b>
	<i>AUS\$'000</i>	<i>AUS\$'000</i>	<i>AUS\$'000</i>	<i>AUS\$'000</i>	<i>AUS\$'000</i>
				(Unaudited)	
Australia (place of domicile) . . . . .	1,122	27	14	3	2
Malaysia . . . . .	9	755	1,523	219	739
	<u>1,131</u>	<u>782</u>	<u>1,537</u>	<u>222</u>	<u>741</u>

	<b>Non-current assets</b>			
	<b>As at 31 October</b>			<b>30 April</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>AUS\$'000</i>	<i>AUS\$'000</i>	<i>AUS\$'000</i>	<i>AUS\$'000</i>
Australia . . . . .	<u>2</u>	<u>1</u>	<u>17</u>	<u>15</u>

*Note:* Non-current assets represented property, plant and equipment and is based on the physical location of the asset under consideration.

**Information about major customers**

Revenues from the Target Company's customers of the corresponding years/periods contributing 10% or more of the its revenue is as follows:

	Year ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
	AUS\$'000	AUS\$'000	AUS\$'000	AUS\$'000	AUS\$'000
				(Unaudited)	
Customer A .....	1,090	N/A*	N/A*	N/A*	N/A*
Customer B .....	N/A*	755	1,523	219	739
	<u>1,090</u>	<u>755</u>	<u>1,523</u>	<u>219</u>	<u>739</u>

\* The corresponding revenue did not contribute 10% or more of the Target Company's revenue.

**5. OTHER REVENUE**

	Year ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
	AUS\$'000	AUS\$'000	AUS\$'000	AUS\$'000	AUS\$'000
				(Unaudited)	
Other income .....	—	78	5	—	—
	<u>—</u>	<u>78</u>	<u>5</u>	<u>—</u>	<u>—</u>

**6. PROFIT/(LOSS) BEFORE TAXATION**

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

**(a) Finance costs**

	Year ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
	AU\$'000	AU\$'000	AU\$'000	AU\$'000	AU\$'000
				(Unaudited)	
Interest on bank and other borrowings . . .	30	24	28	13	12
Total interest expenses on financial liabilities not at fair value through profit or loss . . . . .	30	24	28	13	12

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

	Year ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
	AU\$'000	AU\$'000	AU\$'000	AU\$'000	AU\$'000
				(Unaudited)	
Salaries, wages and other benefits . . . . .	107	93	173	53	181
Contributions to defined contribution plan	10	11	23	5	16
	117	104	196	58	197

*(c) Other items*

	Year ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
	AUS\$'000	AUS\$'000	AUS\$'000	AUS\$'000	AUS\$'000
				(Unaudited)	
Cost of inventories .....	697	62	115	65	161
Allowance for impairment losses on receivable .....	—	22	21	10	32
Depreciation .....	3	1	1	—	4
Operating lease charges in respect of — properties .....	5	30	43	21	32
	<u>5</u>	<u>30</u>	<u>43</u>	<u>21</u>	<u>32</u>

**7. DIRECTORS' EMOLUMENTS**

The directors were appointed on 15 September 2009. Details of the emoluments paid or payable to directors during the Relevant Periods are as follows:

**Year ended 31 October 2013**

	Directors' fees	Salaries, allowances and benefits in kind	Contribution to defined contribution plan	Total
	AUS\$'000	AUS\$'000	AUS\$'000	AUS\$'000
<b>Directors</b>				
Pang Chong Yong .....	—	—	—	—
Peter James Murley .....	—	107	10	117
	<u>—</u>	<u>107</u>	<u>10</u>	<u>117</u>

## Year ended 31 October 2014

	<b>Directors' fees</b>	<b>Salaries, allowances and benefits in kind</b>	<b>Contribution to defined contribution plan</b>	<b>Total</b>
	<i>AUS\$'000</i>	<i>AUS\$'000</i>	<i>AUS\$'000</i>	<i>AUS\$'000</i>
<b>Directors</b>				
Pang Chong Yong .....	—	—	—	—
Peter James Murley .....	—	69	10	79
	—	69	10	79
	<u>—</u>	<u>69</u>	<u>10</u>	<u>79</u>

## Year ended 31 October 2015

	<b>Directors' fees</b>	<b>Salaries, allowances and benefits in kind</b>	<b>Contribution to defined contribution plan</b>	<b>Total</b>
	<i>AUS\$'000</i>	<i>AUS\$'000</i>	<i>AUS\$'000</i>	<i>AUS\$'000</i>
<b>Directors</b>				
Pang Chong Yong .....	—	—	—	—
Peter James Murley .....	—	141	20	161
	—	141	20	161
	<u>—</u>	<u>141</u>	<u>20</u>	<u>161</u>

## Six months ended 30 April 2015 (Unaudited)

	<b>Directors' fees</b>	<b>Salaries, allowances and benefits in kind</b>	<b>Contribution to defined contribution plan</b>	<b>Total</b>
	<i>AUS\$'000</i>	<i>AUS\$'000</i>	<i>AUS\$'000</i>	<i>AUS\$'000</i>
<b>Directors</b>				
Pang Chong Yong .....	—	—	—	—
Peter James Murley .....	—	51	5	56
	—	51	5	56
	<u>—</u>	<u>51</u>	<u>5</u>	<u>56</u>

## Six months ended 30 April 2016

	Directors' fees	Salaries, allowances and benefits in kind	Contribution to defined contribution plan	Total
	<i>AUS\$'000</i>	<i>AUS\$'000</i>	<i>AUS\$'000</i>	<i>AUS\$'000</i>
<b>Directors</b>				
Pang Chong Yong .....	—	—	—	—
Peter James Murley .....	—	109	10	119
	—	109	10	119
	<u>—</u>	<u>109</u>	<u>10</u>	<u>119</u>

## Notes:

- (i) No director received any emoluments from the Target Company as an inducement to join or upon joining the Target Company or as compensation for loss of office during the Relevant Periods. No director waived or agreed to waive any emoluments during the Relevant Periods.
- (ii) The Target Company did not have any share option scheme for the purchase of ordinary shares in the Target Company during the Relevant Periods.

**8. INDIVIDUALS WITH HIGHEST EMOLUMENTS**

Of the five individuals with the highest emoluments, 1, 1, 1, 1 and 1 for the years ended 31 October 2013, 2014 and 2015 and the six months ended 30 April 2015 and 2016, respectively, is a director whose emoluments are disclosed in Note 7. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Year ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
	<i>AUS\$'000</i>	<i>AUS\$'000</i>	<i>AUS\$'000</i>	<i>AUS\$'000</i>	<i>AUS\$'000</i>
				(Unaudited)	
Salaries and other emoluments .....	—	24	32	2	72
Contributions to retirement benefits scheme .....	—	1	3	—	6
	—	25	35	2	78
	<u>—</u>	<u>25</u>	<u>35</u>	<u>2</u>	<u>78</u>

The emoluments of the 0, 1, 1, 1 and 3 individuals with the highest emoluments for the years ended 31 October 2013, 2014 and 2015 and six months ended 30 April 2015 and 2016, respectively, are within the following bands:

	Year ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
	Number of individuals	Number of individuals	Number of individuals	Number of individuals	Number of individuals
				(Unaudited)	
HK\$Nil to HK\$1,000,000 . . . . .	0	1	1	1	3

No emoluments were paid or payable by the Target Company to these employees as an inducement to join or upon joining the Target Company or as compensation for loss of office during the Relevant Periods.

## 9. INCOME TAX IN THE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Income tax in the statements of profit or loss and other comprehensive income represents:

	Year ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
	AUS\$'000	AUS\$'000	AUS\$'000	AUS\$'000	AUS\$'000
				(Unaudited)	
<b>Current tax</b>					
Charge/(credit) for the year/period . . . . .	27	110	167	—	—
Deferred income tax (credit) ( <i>Note 17</i> ) . . .	—	(26)	(56)	(50)	(69)
Income tax expenses for the year/period .	27	84	111	(50)	(69)

(i) During the Relevant Periods, the Target Company is subject to Australian statutory income tax rate of 30% of the estimated assessable profit for the respective years/periods.



(b) Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates:

	Year ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
	AU\$'000	AU\$'000	AU\$'000	AU\$'000	AU\$'000
				(Unaudited)	
Profit/(loss) before taxation .....	86	259	349	(168)	(261)
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to the profits/(losses) in the countries concerned .....	26	78	105	(50)	(78)
Tax effect of non-deductible expenses ...	1	6	6	—	9
	27	84	111	(50)	(69)

## 10. EARNINGS/(LOSSES) PER SHARE

### (a) Basic

Basic earnings/(losses) per share are calculated by dividing the profit/(loss) attributable to equity owners of the Target Company by the weighted average number of ordinary shares in issue during the Relevant Periods.

	Year ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
	AU\$'000	AU\$'000	AU\$'000	AU\$'000	AU\$'000
				(Unaudited)	
Profit/(loss) attributable to equity owners of the Target Company (AU\$'000) ....	59	175	238	(118)	(192)
Weighted average number of ordinary shares in issue .....	400	400	400	400	400

### (b) Diluted

The basic and diluted earnings/(loss) per share are the same for the years ended 31 October 2013, 2014 and 2015 and six months ended 30 April 2015 and 2016, as the Target Company had no dilutive potential ordinary shares.

## 11. PROPERTY, PLANT AND EQUIPMENT

	<b>Computer and office equipment</b>
	<i>AU\$'000</i>
<b>Cost:</b>	
At 1 November 2012, 2013 and 2014 .....	13
Additions .....	17
At 31 October 2015 .....	30
At 1 November 2015 .....	30
Additions .....	2
At 30 April 2016 .....	32
<b>Accumulated depreciation:</b>	
At 1 November 2012 .....	8
Depreciation for the year .....	3
At 31 October 2013 .....	11
At 1 November 2013 .....	11
Depreciation for the year .....	1
At 31 October 2014 .....	12
At 1 November 2014 .....	12
Depreciation for the year .....	1
At 31 October 2015 .....	13
At 1 November 2015 .....	13
Depreciation for the period .....	4
At 30 April 2016 .....	17
<b>Net book value:</b>	
At 31 October 2013 .....	2
At 31 October 2014 .....	1
At 31 October 2015 .....	17
At 30 April 2016 .....	15

## 12. INVENTORIES

	As at 31 October			As at 30
	2013	2014	2015	April 2016
	AUS\$'000	AUS\$'000	AUS\$'000	AUS\$'000
Finished goods . . . . .	1	15	23	89
	<u>1</u>	<u>15</u>	<u>23</u>	<u>89</u>

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Year ended 31 October			Six months ended	
	2013	2014	2015	2015	2016
	AUS\$'000	AUS\$'000	AUS\$'000	AUS\$'000	AUS\$'000
				(Unaudited)	
Carrying amount of inventories sold . . . .	678	62	66	65	117
Write down of inventories . . . . .	19	—	49	—	44
	<u>697</u>	<u>62</u>	<u>115</u>	<u>65</u>	<u>161</u>

## 13. TRADE AND OTHER RECEIVABLES

	As at 31 October			As at 30
	2013	2014	2015	April 2016
	AUS\$'000	AUS\$'000	AUS\$'000	AUS\$'000
Trade receivables . . . . .	15	15	306	18
Other receivable . . . . .	16	—	5	3
	<u>31</u>	<u>15</u>	<u>311</u>	<u>21</u>

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

**(a) Ageing analysis of trade receivables**

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

	As at 31 October			As at 30
	2013	2014	2015	April 2016
	<i>AUS\$'000</i>	<i>AUS\$'000</i>	<i>AUS\$'000</i>	<i>AUS\$'000</i>
Within 30 days .....	—	—	287	—
31 to 90 days .....	—	—	4	3
Over 90 days .....	15	15	15	15
	<u>15</u>	<u>15</u>	<u>306</u>	<u>18</u>

Trade receivables are normally due within 30 days from the date of billing. Further details on the Target Company's credit policy are set out in Note 19.

**(b) Impairment of trade receivables**

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Company is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (Note 3.1(d)). As at 31 October 2013, 2014 and 2015 and 30 April 2016, no trade receivables of the Target Company were individually determined to be impaired.

**(c) Trade receivables that are not impaired**

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	As at 31 October			As at 30
	2013	2014	2015	April 2016
	AUS'000	AUS'000	AUS'000	AUS'000
Neither past due nor impaired . . . . .	—	—	287	—
Past due but not impaired:				
Less than 90 days past due . . . . .	—	—	4	3
90 to 180 days past due . . . . .	—	—	—	—
Over 180 days past due . . . . .	15	15	15	15
At the end of the year/period . . . . .	<u>15</u>	<u>15</u>	<u>306</u>	<u>18</u>

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to customers that have a good track record with the Target Company. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

**14. CASH AND CASH EQUIVALENTS**

	As at 31 October			As at 30
	2013	2014	2015	April 2016
	AUS'000	AUS'000	AUS'000	AUS'000
Cash at banks and on hands . . . . .	11	1	20	106
Less: Bank overdrafts ( <i>Note 16</i> ) . . . . .	(249)	(240)	(204)	—
Cash and cash equivalents in the statements of cash flows . . . . .	<u>(238)</u>	<u>(239)</u>	<u>(184)</u>	<u>106</u>

## 15. TRADE AND OTHER PAYABLES

	As at 31 October			As at 30
	2013	2014	2015	April 2016
	AUS\$'000	AUS\$'000	AUS\$'000	AUS\$'000
Trade payables . . . . .	503	236	108	453
Other payables and accruals . . . . .	—	15	120	97
Deferred revenue . . . . .	—	80	246	369
	<u>503</u>	<u>331</u>	<u>474</u>	<u>919</u>

	As at 31 October			As at 30
	2013	2014	2015	April 2016
	AUS\$'000	AUS\$'000	AUS\$'000	AUS\$'000
Analysed as:				
Current . . . . .	503	293	349	723
Non-current . . . . .	—	38	125	196
	<u>503</u>	<u>331</u>	<u>474</u>	<u>919</u>

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

**Ageing analysis of trade payables**

As at 31 October 2013, 2014 and 2015 and 30 April 2016, the ageing analysis of trade payables, based on the invoice date, is as follows:

	As at 31 October			As at 30
	2013	2014	2015	April 2016
	AUS\$'000	AUS\$'000	AUS\$'000	AUS\$'000
Within 30 days . . . . .	29	13	69	89
31 to 90 days . . . . .	13	5	16	17
Over 90 days . . . . .	461	218	23	347
	<u>503</u>	<u>236</u>	<u>108</u>	<u>453</u>

**16. BANK OVERDRAFTS**

At 31 October 2013, 2014 and 2015 and 30 April 2016, the bank overdrafts were secured as follows:

	As at 31 October			As at 30
	2013	2014	2015	April 2016
	AU\$'000	AU\$'000	AU\$'000	AU\$'000
Bank overdrafts				
— secured and repayable on demand. . . . .	249	240	204	—
	<u>249</u>	<u>240</u>	<u>204</u>	<u>—</u>

As at 31 October 2013, 2014 and 2015 and 30 April 2016, the Target Company had aggregate banking facilities of approximately AU\$350,000, for loans and borrowings. Unused facilities as at the same date amounted to approximately AU\$101,000, AU\$110,000, AU\$146,000 and AU\$350,000 respectively. The Target Company's banking facilities are subject to annual review and secured by:

- (i) Legal charges over all of the present and future rights, property and undertaking of the Target Company.
- (ii) Guarantee to the extent of AU\$500,000 given by the Target Company's director and his close family members.

**17. INCOME TAX IN THE STATEMENTS OF FINANCIAL POSITION**

(a) Current taxation in the statements of financial position represents:

	As at 31 October			As at 30
	2013	2014	2015	April 2016
	AU\$'000	AU\$'000	AU\$'000	AU\$'000
Income tax payable . . . . .	(46)	(152)	(300)	(289)
	<u>(46)</u>	<u>(152)</u>	<u>(300)</u>	<u>(289)</u>

## (b) Deferred tax assets recognised

The components of deferred tax assets recognised in the statement of financial position and the movements during the year/period are as follows:

	<b>Deferred revenue</b>	<b>Tax losses carried forward</b>	<b>Total</b>
	<i>AUS'000</i>	<i>AUS'000</i>	<i>AUS'000</i>
Deferred tax assets arising from			
At 1 November 2012 . . . . .	—	—	—
(Credited) to profit or loss ( <i>Note 9(a)</i> ) . . . . .	—	—	—
At 31 October 2013 and 1 November 2013 . . . . .	—	—	—
(Credited) to profit or loss ( <i>Note 9(a)</i> ) . . . . .	26	—	26
At 31 October 2014 and 1 November 2014 . . . . .	26	—	26
(Credited) to profit or loss ( <i>Note 9(a)</i> ) . . . . .	56	—	56
At 31 October 2015 and 1 November 2015 . . . . .	82	—	82
(Credited) to profit or loss ( <i>Note 9(a)</i> ) . . . . .	47	22	69
At 30 April 2016 . . . . .	<u>129</u>	<u>22</u>	<u>151</u>

Deferred tax assets are recognised for deferred revenue and tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profit is probable. As at 31 October 2013, 2014 and 2015 and 30 April 2016, the Target Company recognised deferred income tax assets in respect of tax losses carried forward against future taxable income indefinitely.



**18. CAPITAL, RESERVES AND DIVIDENDS****(a) Movement in components of equity**

The reconciliation between the opening and closing balances during the Relevant Periods of each component of the Target Company's equity is set out in the statements of changes in equity.

**(b) Share capital**

Share capital information of the Target Company is set out below:

*Issued shares of the Target Company*

	<u>No. of shares</u>	<u>Amount</u>
		<i>AU\$</i>
Ordinary shares, issued and fully paid as at 31 October 2013, 2014 and 2015 and 30 April 2016 . . . . .	400	400
	<u>400</u>	<u>400</u>

**(c) Dividends**

No dividend was paid or declared during the Relevant Periods nor has any dividend been proposed since the end of the reporting period for the Relevant Periods.

**(d) Distributability of reserves**

There is no aggregate amount of reserves available for distribution to equity owners of the Target Company at the end of each reporting period for the Relevant Periods.

**(e) Capital management**

The Target Company's objectives when managing capital are to safeguard the Target Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Target Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Company may adjust the dividend payment to shareholders, return capital to shareholders, or sell assets to reduce debt. No changes in the objective, policies or processes for managing capital were made during the Relevant Periods.

The management of the Target Company reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risk associated with each class of capital. Based on recommendation of the management, the Target Company will balance its overall capital structure through the payment of dividends as well as issue of new debt of the redemption of the debt.

The Target Company monitors capital using, inter alia, a gearing ratio which is net debt divided by total equity. Net debt includes bank overdrafts, less cash and bank balances. The gearing ratio as at 31 October 2013, 2014 and 2015 and 30 April 2016 is as follows:

	As at 31 October			As at 30
	2013	2014	2015	April 2016
	<i>AU\$'000</i>	<i>AU\$'000</i>	<i>AU\$'000</i>	<i>AU\$'000</i>
Bank overdrafts . . . . .	249	240	204	—
Less: cash and bank balances . . . . .	11	1	20	106
Net debt . . . . .	238	239	184	(106)
Total equity . . . . .	(1,011)	(836)	(598)	(790)
Debt-to-equity ratio . . . . .	(24%)	(29%)	(31%)	N/A

## 19. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets and financial liabilities are disclosed in Note 3.1.

The Target Company has classified the financial instruments as follows:

	As at 31 October			As at 30
	2013	2014	2015	April 2016
	AUS'000	AUS'000	AUS'000	AUS'000
<b>Financial assets</b>				
<b>Loans and receivables</b>				
Trade and other receivables . . . . .	31	15	311	21
Amount due from a director . . . . .	1	20	56	89
Cash and bank balances . . . . .	11	1	20	106
	<u>43</u>	<u>36</u>	<u>387</u>	<u>216</u>
<b>Financial liabilities</b>				
<b>Financial liabilities measured at amortised cost</b>				
Trade and other payables . . . . .	503	251	228	550
Bank overdrafts . . . . .	249	240	204	—
Amount due to a director . . . . .	63	73	53	53
Amount due to a related company . . . . .	196	118	76	—
	<u>1,011</u>	<u>682</u>	<u>561</u>	<u>603</u>

Exposure to credit, liquidity, interest rate and currency risks arise in the normal course of the Target Company's business. The Target Company's exposure to these risks and the financial risk management policies and practices used by the Target Company to manage these risks are described below.

**(a) Credit risk**

The Target Company's credit risk is primarily attributable to trade and other receivables, amount due from a director and cash and bank balances. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and debtors requiring credit over a certain amount. These evaluations focus on the past history of making payments of the customers/debtors when due and current ability to pay, and take into account information specific to the customers/debtors as well as pertaining to the economic environment in which the customers/debtors operate. Normally, the Target Company does not obtain collateral from customers.

Cash is deposited with financial institutions with sound credit ratings and the Target Company has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

The Target Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer/debtor rather than the industry or country in which the customers/debtors operate and therefore significant concentrations of credit risk primarily arise when the Target Company has significant exposure to individual customers/debtors. As at 31 October 2013, 2014 and 2015 and 30 April 2016, 40%, 42%, 93% and 40% of the trade receivables, respectively, were due from the Target Company's largest debtor; and 100%, 100%, 99% and 91% of the trade receivables, respectively, were due from the Target Company's five largest debtors.

The credit risk is also concentrated on amounts due from key management personnel and related parties of the Target Company. In order to minimise the credit risk, the management of the Target Company closely monitors the exposure and reviews the recoverable amounts of such receivables to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Target Company consider that the Target Company's credit risk is significantly reduced.

Further quantitative disclosures in respect of the Target Company's exposure to credit risk arising from trade and other receivables are set out in Note 13.

**(b) Liquidity risk**

The Target Company has its own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands. The Target Company's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables shows the remaining contractual maturities at the end of the reporting period of the Target Company's non-derivative financial liabilities, which are based on cash outflows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Target Company can be required to pay.

**As at 31 October 2013**

	Carrying amount	Contractual undiscounted cash flows	On demand or less than 1 year	Between 1 to 2 years	Over 2 but less than 5 years	Over 5 years
	<i>AUS'000</i>	<i>AUS'000</i>	<i>AUS'000</i>	<i>AUS'000</i>	<i>AUS'000</i>	<i>AUS'000</i>
<b>Non-derivative financial liabilities</b>						
Trade and other payables . .	503	503	503	—	—	—
Bank overdrafts . . . . .	249	249	249	—	—	—
Amount due to a director . .	63	63	63	—	—	—
Amount due to a related company . . . . .	196	196	196	—	—	—
	<u>1,011</u>	<u>1,011</u>	<u>1,011</u>	<u>—</u>	<u>—</u>	<u>—</u>

## As at 31 October 2014

	Carrying amount	Contractual undiscounted cash flows	On demand or less than 1 year	Between 1 to 2 years	Over 2 but less than 5 years	Over 5 years
	AUS\$'000	AUS\$'000	AUS\$'000	AUS\$'000	AUS\$'000	AUS\$'000
<b>Non-derivative financial liabilities</b>						
Trade and other payables . .	251	251	251	—	—	—
Bank overdrafts . . . . .	240	240	240	—	—	—
Amount due to a director . .	73	73	73	—	—	—
Amount due to a related company . . . . .	118	118	118	—	—	—
	<b>682</b>	<b>682</b>	<b>682</b>	<b>—</b>	<b>—</b>	<b>—</b>

## As at 31 October 2015

	Carrying amount	Contractual undiscounted cash flows	On demand or less than 1 year	Between 1 to 2 years	Over 2 but less than 5 years	Over 5 years
	AUS\$'000	AUS\$'000	AUS\$'000	AUS\$'000	AUS\$'000	AUS\$'000
<b>Non-derivative financial liabilities</b>						
Trade and other payables . .	228	228	228	—	—	—
Bank overdrafts . . . . .	204	204	204	—	—	—
Amount due to a director . .	53	53	53	—	—	—
Amount due to a related company . . . . .	76	76	76	—	—	—
	<b>561</b>	<b>561</b>	<b>561</b>	<b>—</b>	<b>—</b>	<b>—</b>

As at 30 April 2016

	Carrying amount	Contractual undiscounted cash flows	On demand or			Over 5 years
			less than 1 year	Between 1 to 2 years	Over 2 but less than 5 years	
	AUS'000	AUS'000	AUS'000	AUS'000	AUS'000	AUS'000
<b>Non-derivative financial liabilities</b>						
Trade and other payables . .	550	550	550	—	—	—
Amount due to a director . .	53	53	53	—	—	—
	<u>603</u>	<u>603</u>	<u>603</u>	<u>—</u>	<u>—</u>	<u>—</u>

**(c) Interest rate risk**

The Target Company's interest rate risk arises primarily from bank overdrafts. Bank overdrafts issued at variable rates expose the Target Company to cash flow interest rate risk.

The interest rate profile of the Target Company's bank overdrafts was:

	As at 31 October			As at 30
	2013	2014	2015	April 2016
	AUS'000	AUS'000	AUS'000	AUS'000
<b>Variable rate instruments</b>				
Financial liabilities				
— bank overdrafts ( <i>see Note 16</i> ) . . . . .	249	240	204	—
	<u>249</u>	<u>240</u>	<u>204</u>	<u>—</u>

The management considers that the exposure on cash flow interest rate risk and fair value interest rate risk are insignificant. Accordingly, no sensitivity analysis has been prepared.

**(d) Foreign currency exchange risk**

The Target Company does not have significant foreign currency risk exposure as most of its transactions are denominated in Australian dollars, the functional currency of the Target Company. Accordingly, no sensitivity analysis has been prepared.

**(e) Fair values estimations**

The carrying amount of the Target Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 October 2013, 2014, 2015 and 30 April 2016.

**20. RELATED PARTY TRANSACTIONS**

In addition to the related party information disclosed elsewhere in the Target Company Financial Information, the Target Company entered into the following material related party transactions.

The directors of the Company are of the view that following parties/companies were related parties that had transactions or balances with the Target Company during the Relevant Periods:

<b>Name of party</b>	<b>Relationship with the Target Company</b>
Mr. Pang Chong Yong	Director and shareholder of the Target Company
Mr. Peter James Murley	Director and shareholder of the Target Company
Japanese Truck & Bus Spares Pty Ltd	A company 50% owned by Murley Family Trust
Wildrace Enterprises Pty Ltd	A company 50% owned by Murley Family Trust
Topgear Importing Pty Ltd	A company 50% owned by Murley Family Trust
Hot Heads Exporting Pte Ltd	A company controlled by Mr. Peter James Murley
Murley Family Trust	Trust for the family of Mr. Peter James Murley
Gemilang Coachwork Sdn. Bhd.	A company that Mr. Pang Chong Yong is a director and one of the controlling shareholders



**(a) Key management personnel remuneration**

Remuneration for key management personnel of the Target Company are all paid to directors of the Target Company as disclosed in Note 7 and as follows:

	Year ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
	AUS\$'000	AUS\$'000	AUS\$'000	AUS\$'000	AUS\$'000
				(Unaudited)	
Short-term employee benefits . . . . .	107	69	141	51	109
Post-employment benefits . . . . .	10	10	20	5	10
	<u>117</u>	<u>79</u>	<u>161</u>	<u>56</u>	<u>119</u>

**(b) Financing arrangements with related parties**

As at the end of each reporting period, the Target Company has the following balances with related parties:

	Notes	Year ended 31 October			Six months ended 30 April
		2013	2014	2015	2016
		AUS\$'000	AUS\$'000	AUS\$'000	AUS\$'000
				(Unaudited)	
Amounts due from/(to) directors					
— Phang Chong Yong . . . . .	(i), (iv)	(63)	(73)	(53)	(53)
— Peter James Murley . . . . .	(i), (ii), (iv)	1	20	56	89
		<u>(62)</u>	<u>(53)</u>	<u>3</u>	<u>36</u>
Amount due (to)/from a related company					
— Gemilang Coachwork Sdn. Bhd . . . . .	(i), (ii), (iii)	(427)	(178)	286	(240)
— Murley Family Trust . . . . .	(i)	(196)	(118)	(76)	—
		<u>(623)</u>	<u>(296)</u>	<u>210</u>	<u>(240)</u>

*Notes:*

- (i) The outstanding with these parties are unsecured, interest-free and repayable on demand.
- (ii) No provision for bad and doubtful debts have been made in respect of the amounts due from related parties as at 31 October 2013, 2014 and 2015 and 30 April 2016.
- (iii) The outstanding balance is included in trade and other receivables (Note 13) and trade and other payables (Note 15).
- (iv) All amounts due from/(to) directors will be settled before listing.

**(c) Other related party transactions**

- (i) During the Relevant Periods, the Company entered into the following material related party transactions:

**Continuing transactions**

	Year ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
	AU\$'000	AU\$'000	AU\$'000	AU\$'000	AU\$'000
				(Unaudited)	
Commission and services income					
— Gemilang Coachwork Sdn. Bhd. . . . .	8	553	1,365	219	739
Sales of buses and spare-parts					
— Gemilang Coachwork Sdn. Bhd. . . . .	1	124	23	—	—
Purchases of bus body, parts and services					
— Gemilang Coachwork Sdn. Bhd. . . . .	570	20	37	8	103
— Japanese Truck & Bus Spares Pty Ltd . . . . .	25	24	36	15	11
— Wildrace Enterprises Pty Ltd. . . . .	—	—	15	7	5
	<u>595</u>	<u>44</u>	<u>88</u>	<u>30</u>	<u>119</u>

**Non-continuing transactions**

	Year ended 31 October			Six months ended 30 April	
	2013	2014	2015	2015	2016
	AUS\$'000	AUS\$'000	AUS\$'000	AUS\$'000	AUS\$'000
				(Unaudited)	
Services income for application of certification					
— Gemilang Coachwork Sdn. Bhd. . . . .	—	—	135	—	—
Other revenue					
— Gemilang Coachwork Sdn. Bhd. . . . .	—	78	5	—	—
Allowance for impairment losses of receivable					
— Wildrace Enterprises Pty Ltd. . . . .	—	15	1	—	—
— Topgear Importing Pty Ltd . . . . .	—	7	18	10	3
— Hot Heads Exporting Pte Ltd . . . . .	—	—	2	—	—
— Murley Family Trust. . . . .	—	—	—	—	29
	—	22	21	10	32

- (ii) A director of the Target Company and his close family members have provided their personal guarantees to banks for the banking facilities granted to the Target Company during the Relevant Periods (Note 16).

**21. CONTINGENT LIABILITIES**

The Target Company did not have any significant contingent liabilities as at the end of each reporting period during the Relevant Periods.

**22. SUBSEQUENT EVENTS**

As at the date of this report, there was no significant subsequent event since 30 April 2016.

**23. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 30 April 2016.

Yours faithfully,

**Crowe Horwath (HK) CPA Limited**

*Certified Public Accountants*

Hong Kong

Lau Kwok Hung

Practising Certificate No.: P04169

The information set out in this appendix does not form part of the accountants' report on the financial information of the Group for the Track Record Period (the "Accountants' Report") prepared by Crowe Horwath (HK) CPA Limited, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix IA to this prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report of the Group set out in Appendix IA to this prospectus.

### UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted combined net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out in this appendix to illustrate the effect of the Global Offering on the adjusted combined net tangible assets of the Group as at 30 April 2016, as if it had taken place on such date.

The unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to owners of the Company following the Global Offering. It is prepared based on the audited combined net assets of the Group attributable to owners of the Company as at 30 April 2016 as shown in the Accountants' Report of the Group as set out in Appendix IA to this prospectus and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 30 April 2016 <i>(Note 1)</i>	Estimated net proceeds from the Global Offering <i>(Note 2)</i>	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company	Unaudited pro forma adjusted combined net tangible assets of the Group per Share <i>(Note 3 and 4)</i>	
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$</i>	<i>HK\$</i>
Based on the Offer Price of HK\$1.2 for each Share . . .	5,351	6,889	12,240	0.049	0.380
Based on the Offer Price of HK\$1.42 for each Share . . .	5,351	8,599	13,950	0.056	0.433

*Notes:*

- (1) The audited combined net tangible assets of the Group attributable to owners of the Company as at 30 April 2016 was determined as follows:

	<i>US\$'000</i>
Audited combined net assets of the Group as at 30 April 2016 as shown in the Accountants' Report of the Group as set out in Appendix IA to this prospectus . . . . .	5,655
Less: Intangible asset . . . . .	<u>(304)</u>
Audited combined net tangible assets of the Group attributable to owners of the Company as at 30 April 2016 . . . . .	<u><u>5,351</u></u>

- (2) The estimated net proceeds from the Global Offering are based on the total number of Offer Shares and the Offer Price range of HK\$1.2 and HK\$1.42 per Share, respectively, after deduction of underwriting fees and related expenses to be incurred subsequent to 30 April 2016 and payable by the Company but takes no account of any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any share which may be allotted and issued of any option which may be granted under the share option scheme. The estimated net proceeds from the Global Offering are converted from United States dollar into Hong Kong dollar at an exchange rate of HK\$7.76 to US\$1. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted to United States dollar amounts, or vice versa, at that rate or at all.
- (3) The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that a total of 250,000,000 Shares are expected to be in issue pursuant to the Global Offering and take no account of any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any share which may be allotted and issued of any option which may be granted under the share option scheme.
- (4) The unaudited pro forma adjusted combined net tangible assets per Share is converted into Hong Kong Dollars at an exchange rate of HK\$7.76 to US\$1. No representation is made that United States dollar amounts have been, could have been or may be converted to Hong Kong dollar amounts, or vice versa, at that rate or at all.

- (5) The freehold lands and buildings included in property and equipment of the Group were valued by American Appraisal China Limited and the valuation report in respect of which is set out in Appendix IV to this prospectus. According to the valuation report, such property interest of the Group as at 31 August 2016 amounted to approximately US\$9,255,000. Comparing this amount with the carrying value of the freehold lands and buildings included in property, plant and equipment of the Group as at 30 April 2016 of approximately US\$5,014,000, there was a surplus of US\$4,241,000. Had such property interests been stated at revaluation, additional annual depreciation of approximately US\$20,000 will therefore be charged. The surplus on revaluation will not be reflected in the Group's consolidated financial statements in subsequent years as the Group has elected to state the property interests at cost model.
- (6) The unaudited pro forma adjusted combined net tangible assets per share does not take into account i) Gemilang Coachwork's interim dividend of approximately US\$753,000 declared on 1 July 2016 before the completion of Reorganisation; and ii) the effect of the loan capitalisation of approximately US\$1,933,000 as described in the paragraph headed "Reorganisation — (ix) capitalisation of the loan" in the section headed "History, reorganisation and corporate structure" in this prospectus. Had such dividend and loan capitalisation been taken into account together, the unaudited pro forma adjusted combined net tangible assets per Share would be US\$0.054 (HK\$0.417) and US\$0.061 (HK\$0.470), assuming the Offer Price range of HK\$1.2 and HK\$1.42 per Share respectively at an exchange rate of HK\$7.76 to US\$1.
- (7) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 30 April 2016.

**UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE**

For the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 November 2015, our unaudited pro forma forecast earnings per Share for the year ending 31 October 2016 have been prepared on the basis of the notes set out below. This unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of our financial results for the year ending 31 October 2016 or for any future period.

Forecast consolidated profit attributable to equity shareholders

of our Company for the year ending 31 October 2016<sup>(1)</sup> . . . . . not less than US\$2.1 million  
(approximately HK\$16.3 million)

Unaudited pro forma forecast earnings per Share

for the year ending 31 October 2016<sup>(2)(3)</sup> . . . . . not less than US\$0.84 cents  
(approximately HK\$6.52 cents)

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*Notes:*

1. The bases and assumptions on which the above profit forecast has been prepared are summarised in Appendix III to this prospectus. The Directors have prepared the forecast consolidated profit attributable to equity owners of our Company for the year ending 31 October 2016 based on the audited combined results for the six months ended 30 April 2016, the unaudited combined results based on management accounts of our Group for the 4 months ended 31 August 2016 and a forecast of the combined results of our Group for the remaining 2 months ending 31 October 2016 and assuming a total listing expenses of approximately US\$2.34 million to be incurred during the financial year.
2. The calculation of the unaudited pro forma forecast earnings per Share is based on the forecast consolidated profit attributable to equity owners of our Company for the year ending 31 October 2016, assuming that a total of 250,000,000 Shares had been in issued during the entire year. The calculation of the forecast earnings per Share does not take into account any shares which may be issued upon the exercise of the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme.
3. The forecast consolidated profit attributable to equity owners of our Company and the unaudited pro forma forecast earnings per Share are converted into HK\$ at the exchange rate of US\$1.00 to HK\$7.76.



*The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the reporting accountants of the Company, Crowe Horwath (HK) CPA Limited, Certified Public Accountants.*



國富浩華 (香港) 會計師事務所有限公司  
**Crowe Horwath (HK) CPA Limited**  
Member Crowe Horwath International

9/F Leighton Centre,  
77 Leighton Road,  
Causeway Bay, Hong Kong  
Main: (852) 2894 6888  
Fax: (852) 2895 3752  
Email: info@crowehorwath.hk

31 October 2016

## **INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

### **To the Directors of Gemilang International Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Gemilang International Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets as at 30 April 2016 and the unaudited pro forma earnings per share for the year ending 31 October 2016 and related notes as set out on pages II-1 to II-4 of Appendix II to the prospectus issued by the Company dated 31 October 2016 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-4 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the global offering and listing of the Company's shares (the "Global Offering") on the Group's financial position as at 30 April 2016 and the Group's earnings per share for the year ending 31 October 2016 as if the Global Offering had taken place at 30 April 2016 and 1 November 2015 respectively. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the six months ended 30 April 2016, on which an accountants' report set out in Appendix IA to the Prospectus has been published and information about the Group's profit forecast for the year ending 31 October 2016, on which no audit report has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 April 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Crowe Horwath (HK) CPA Limited**

*Certified Public Accountants*

Hong Kong

Lau Kwok Hung

Practising Certificate No.: P04169

*The forecast of the consolidated profit of the Company for the year ending 31 October 2016 is set out in the paragraph headed “Profit forecast” in the section headed “Financial information” in this prospectus.*

## **1. BASIS AND ASSUMPTIONS**

The forecast (“Profit Forecast”) of the consolidated profit of the Company for the year ending 31 October 2016 (“Profit Forecast Period”) prepared by the Directors. The Directors are not aware of any extraordinary items which have arisen or are likely to arise during the year ending 31 October 2016. The forecast has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by our Group as summarised in the Accountants’ Report of the Group, the text of which is set out in Appendix IA to this prospectus and is based on the following principal assumptions:

- a) There will be no material changes in the existing government policies, legislation, rules or regulations, basis or rates of taxation, interest rates, exchange rates, inflation rates, or other fiscal, market or economic conditions in the markets we operate or otherwise related to our Group’s business;
- b) Our Group is not materially and adversely affected by any of the risk factors set out in the section headed “Risk factors” of this prospectus;
- c) Our Group’s operations and business will not be materially affected or interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors, including but not limited to the occurrence of natural disasters, supply failure, labour dispute, significant lawsuit and arbitration;
- d) The Directors expect no extraordinary financial items will be incurred during the Profit Forecast Period;
- e) The Profit Forecast has been prepared taking into account the Directors’ and the Group’s key senior management’s continued involvement in the operations and business development of the Group. It is assumed that our Group will be able to retain its key management and personnel during the Profit Forecast Period and our Group will not encounter any material difficulties in recruiting and retaining qualified staff;
- f) Our Group will continue to enjoy its existing banking and credit facilities based on the prevailing interest rates, terms and conditions and will be able to renew those facilities upon expiry with terms not less favourable than prevailing terms; and
- g) Our Group is not expected to undertake any major acquisition or disposal of assets or investments during the Profit Forecast Period except the acquisition of Gemilang Australia.

**Letter from the Reporting Accountants**

*The following is the text of a letter, prepared for inclusion in this prospectus, received from the Company's reporting accountants, Crowe Horwath (HK) CPA Limited, Certified Public Accountants, Hong Kong.*



國富浩華(香港)會計師事務所有限公司  
**Crowe Horwath (HK) CPA Limited**  
Member Crowe Horwath International

9/F Leighton Centre,  
77 Leighton Road,  
Causeway Bay, Hong Kong  
Main: (852) 2894 6888  
Fax: (852) 2895 3752  
Email: info@crowehorwath.hk

31 October 2016

The Board of Directors  
Gemilang International Limited  
Alliance Capital Partners Limited

Dear Sirs,

Gemilang International Limited (“the Company”)

**Profit Forecast for Year Ending 31 October 2016**

We refer to the forecast of the consolidated profit of the Group attributable to equity holders of the Company for the year ending 31 October 2016 (“the Profit Forecast”) set forth in the section headed Financial Information in the prospectus of the Company dated 31 October 2016 (“the Prospectus”).

**Directors’ Responsibilities**

The Profit Forecast has been prepared by the directors of the Company based on the audited combined results of the Company and its subsidiaries (collectively referred to as “the Group”) for the six months ended 30 April 2016, the unaudited combined results based on the management accounts of the Group for the four months ended 31 August 2016 and the forecast results of the Group for the remaining two months ending 31 October 2016.

The Company’s directors are solely responsible for the Profit Forecast.

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Forecast based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Profit Forecast in accordance with the bases adopted by the directors and as to whether the Profit Forecast is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

**Opinion**

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases adopted by the directors as set out in Appendix III of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants’ report dated 31 October 2016, the text of which is set out in Appendix IA of the Prospectus.

Yours faithfully,

**Crowe Horwath (HK) CPA Limited**  
*Certified Public Accountants*  
Hong Kong

Lau Kwok Hung  
Practising Certificate No.: P04169

**Letter from the Sole Sponsor**

*The following is the text of a letter, prepared for inclusion in this prospectus, received by our Directors from the Sole Sponsor, in connection with the forecast of our consolidated profit for the year ending 31 October 2016.*



**Alliance Capital Partners Limited**  
**同人融資有限公司**

Room 1502-03A, 15/F  
Wing On House  
71 Des Voeux Road Central  
Hong Kong

31 October 2016

The Board of Directors  
Gemilang International Limited

Dear Sirs,

We refer to the forecast of the consolidated profit attributable to equity holders of Gemilang International Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for the year ending 31 October 2016 (the “Profit Forecast”), as set out in the prospectus dated 31 October 2016 issued by the Company (the “Prospectus”).

The Profit Forecast, for which you, as the directors of the Company are solely responsible, has been prepared by you based on the audited combined results of the Group for the year ended 31 October 2015, the audited combined results of the Group for the six months ended 30 April 2016, the unaudited combined results of the Group based on its management accounts for the four months ended 31 August 2016 and the forecast of the consolidated results of the Group for the remaining two months ending 31 October 2016.

We have discussed with you the basis and assumptions upon which the Profit Forecast has been made. We have also considered the letter dated 31 October 2016 addressed to you and us from Crowe Horwath (HK) CPA Limited (“Crowe Horwath”), Certified Public Accountants, Hong Kong, regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the foregoing and on the basis and assumptions made by you and the accounting policies and calculations adopted by you and reviewed by Crowe Horwath, Certified Public Accountants, Hong Kong, we have formed the opinion that the Profit Forecast, for which you as Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully

For and on behalf of

**Alliance Capital Partners Limited**

**Andric Yew**

*Managing Director*



*The following is the text of a letter, summary of value and valuation certificate prepared for the purpose of incorporation in this listing documents received from American Appraisal China Limited, an independent property valuer, in connection with its opinion of market values of an industry complex in Malaysia as at 31 August 2016.*

American Appraisal China Limited  
Rooms 701 & 708-710, Gloucester Tower  
The Landmark, 15 Queen's Road Central, Hong Kong  
美國評值有限公司  
香港中環皇后大道中 15 號置地廣場告羅士打大廈 701 及 708-710 室  
Tel : 852-2281 0147 Fax : 852-2511 9626



A Division of  
**DUFF & PHELPS**

31 October 2016

The Directors  
Gemilang International Limited  
Cricket Square  
Hutchins Drive  
PO Box 2681, Grand Cayman  
KY1-1111, Cayman Islands

Dear Sirs,

In accordance with the instruction of Gemilang International Limited (the “Company” or “GEMILANG”) to estimate the market value of an industrial complex in Malaysia (the “Property”) held by the Company and its subsidiaries (hereinafter together referred to as the “Group”), we confirm that we have carried out inspection of the Property, made relevant enquiries and obtained such further information as we consider necessary for providing the market value of such property interests as at 31 August 2016 (referred to as the “valuation date”).

This letter which forms part of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made, title investigation of property and the limiting conditions.

#### **BASIS OF VALUATION**

Our valuation is our opinion of the Market Value which is defined in accordance with the HKIS Valuation Standards of the Hong Kong Institute of Surveyors to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

*Market Value* is understood as the value of an asset and liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value.

#### **VALUATION METHODOLOGY**

In valuing the Property, we based on the depreciated replacement cost of the building and structures (referred to as the “Building”) which is defined as the gross replacement cost of the Buildings, from which appropriate deductions may then be made to allow for the age, condition, economic/external and functional obsolescence and environmental factors etc. All of these might result in the existing Buildings being worth less to the undertaking in occupation than would a new replacement. For the land portion, we have made reference to the similar transaction in the locality.

#### **TITLE INVESTIGATION**

We have been provided with copies of documents in relation to the title of the property interests. We have not scrutinised the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us.

We have relied to a considerable extent on the information provided by the Group and the Malaysia legal opinion provided by the Malaysia legal adviser, Zul Rafique & Partners on the Malaysia Law regarding the Property located in Malaysia.

All legal documents disclosed in this letter and valuation certificate are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the property interests set out in this letter and valuation certificate.

#### **ASSUMPTIONS**

Our valuations have been made on the assumption that the owner sells the property interests on the market in its existing state without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the property interests.

No allowance has been in our valuations for any charges, mortgages or amounts owing on the Property valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, all the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

We have assumed that the owner of the property interests has free and uninterrupted rights to use, lease or mortgage the property interests. We have also assumed that the property interests are freely disposable and transferable.

We have valued the property interests on the assumption that it is developed in accordance with the development proposals or building plans given to us. We have assumed that all consents, approvals and licences from relevant government authorities for the buildings and structures erected or to be erected thereon have been granted. Also, we have assumed that unless otherwise stated, all buildings and structures erected on the land parcels are held by the owner or permitted to be occupied by the owner.

It is assumed that all applicable zoning, land use regulations and other restrictions have been complied with unless a non-conformity has been stated, defined and considered in the valuation certificates. Further, it is assumed that the utilisation of the land and improvements is within the boundaries of the property interests described and that no encroachment or trespass exists unless noted in the valuation certificate.

Other special assumptions of the Property, if any, have been stated in the footnotes of the valuation certificate.

#### **LIMITING CONDITIONS**

We have relied to a considerable extent on the information provided by the Group and have accepted advice given to us by the Group on such matters as statutory notices, easements, tenure, occupancy, site areas and floor areas and all other relevant matters. Dimensions and areas included in the valuation certificate are based on information contained in the documents provided to us and are only approximations.

Having examined all relevant documentation, we have had no reason to doubt the truth and accuracy of the information provided to us. We have assumed that no material factors have been omitted from the information to reach an informed view, and have no reason to suspect that any material information has been withheld.

We have not carried out detailed site measurements to verify the land areas or building areas in respect of the property but have assumed that the areas provided to us are correct. All dimensions and areas are approximations only.

Our Mr. Calvin Chan has inspected the Property included in the attached valuation certificate on 31 May 2016 and 1 June 2016. No structural survey has been made and we are therefore unable to report as to whether the Property is or is not free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

No site investigations have been carried out to determine the suitability of the ground conditions or the services for the sites.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed unless otherwise stated, defined, and considered in the report. It is also assumed that all required licences, consents, or other legislative, or administrative authority from any local, provincial, or national government or private entity or organisation either have been or can be obtained or renewed for any use which the report covers.

## **REMARKS**

In valuing the property interests, we have complied with all the requirements contained in Paragraph 34(2), (3) of Schedule 3 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, RICS Valuation — Professional Standards (the “Red Book”) January 2014 published by the Royal Institution of Chartered Surveyors and The HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors.

We hereby certify that we have neither present nor a prospective interest in the real Property or the value reported. This valuation report is issued subject to our Assumptions and Limiting Conditions.

Unless otherwise stated, all monetary amount stated in this report is in Malaysian Ringgit (MYR).

We enclose herewith our valuation certificate.

Yours faithfully,  
For and on behalf of  
**AMERICAN APPRAISAL CHINA LIMITED**  
**Calvin K.C. Chan**  
*CFA, MRICS, MHKIS, MCIREA, RPS (GP)*  
*Director*

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*Notes:*

Mr. Calvin K. C. Chan, who is a Chartered Surveyor and Registered Professional Surveyor, has over 10 years’ experience in valuation of properties in Malaysia. Mr. Chan has been admitted to the Hong Kong Institute of Surveyors’ approved List of Property Valuers to undertake valuation for incorporation or reference in Listing Particulars and Circulars.

**Summary of Value**

<b>Property</b>	<b>Market Value in Existing State as at 31 August 2016 (MYR)</b>
An industrial complex erected on four land parcels of Lot PTD Nos. 108312, 43225, 43227 and 43228 (with Title Nos. HSM 4312, HSM 2762, HSM 2764 and HSM 2765) located in Jalan Seelong, Mukim of Senai 81400 Senai, District of Kulai, Johor, Malaysia	37,800,000
	<hr/>
<b>Total :</b>	<b>37,800,000</b>

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value In existing state as at 31 August 2016
<p>An industrial complex erected on four land parcels of Lot PTD Nos. 108312, 43225, 43227 and 43228 (with Title Nos. HSM 4312, HSM 2762, HSM 2764 and HSM 2765) located in Jalan Seelong, Mukim of Senai 81400 Senai, District of Kulai, Johor, Malaysia</p>	<p>The subject Property is an industrial complex erected on four consecutive freehold industrial land parcels with a total site area of about 11.132 acres (or about 4.507 hectares). The Property was built in between 2006 and 2015.</p> <p>The industrial complex comprises various buildings and ancillary facilities, they involve a new workshop, several single-storey workshops, while one of them cum with a 2-storey office building, a canteen building, a guard house, a TNB substation and a guard house. The total approved gross floor area of the Property is about 216,865.80 sq.ft. (or about 20,147.32 sq.m.), while the extension area is about 44,068.96 sq.ft. (or about 4,094.11 sq.m.). The details of the buildings are summarised in <i>Note 1</i> below.</p> <p>The Property is located along Jalan Senai-Ulu Tebrau/Kempas Lama, Senai, Johor. The locality of the Property is basically industrial and residential setting. The Property is located in an industrial district, nearby Senai Industrial Park, Taman Perindustrian Murni Senai and Senai Industrial Estate I-IV.</p> <p>The subject land Lot No. 108312 is subject to an annual government rent of RM4,928 per annum.</p>	<p>As advised and as per our site inspection, the Property was owner-occupied for industrial use as of the valuation date.</p>	<p>MYR37,800,000</p>

*Notes:*

(1) As provided by the Group, the floor area schedule of the Property is summarised below:

<b>No.</b>	<b>Building Name</b>	<b>Uses</b>	<b>Land parcels erected on (Lot No.)</b>	<b>No. of Storey</b>	<b>Approved GFA</b>
1	New Workshop	Workshop	43225, 43227 & 43228	1	42,254.00 ft <sup>2</sup>
2	Building A	Workshop, office, new canteen	108312	1 (workshop), 2 (office & production area)	80,672.80 ft <sup>2</sup>
3	Building B	Workshop	108312	1 + Mezzanine Floor	39,108.00 ft <sup>2</sup>
4	Building C	Workshop	108312	1	20,866.00 ft <sup>2</sup>
5	Building D	Workshop	108312	1	29,122.00 ft <sup>2</sup>
6	Building E	Workshop	108312	1	
7	Building F	Workshop	108312	1	
8	Building G	Workshop	108312	1	
9	Building H	Canteen	108312	1	4,293.00 ft <sup>2</sup>
10	Building I	Guard House	108312	1	100.00 ft <sup>2</sup>
11	Building J	TNB Substation	108312	1	450.00 ft <sup>2</sup>
<b>Total</b>					<b>216,865.80 ft<sup>2</sup></b>

(2) In the course of our valuation, we have not considered the addition area of about 5,700.96 square feet of Building A. Moreover, we have also not considered the extension structures.

(3) Pursuant to a land title certificate, “Catatan Carian Persendirian”, the freehold interest of the subject land (“Land 1”) PTD No. 108312 with a site area of 3.0786 hectares is held by the Group for industrial use.

(4) Pursuant to three land title certificates, “Catatan Carian Persendirian”, the freehold interest of the subject three contiguous land parcels (“Land 2, Land 3 & Land 4”) PTD Nos. 43225, 43227 and 43228 (New Lot Nos. 34287, 34289 and 34290) with a total site area of 1.428 hectares are held by the Group for agricultural use.

(5) Pursuant to an approval letter issued by Pejabat Tanah dan Galian Johor bearing Reference No. PTG. 09/02/03/0100/0019/2015/0940/2015(5) dated 10 February 2016, the land parcels captioned in Note (2) above of the Property have been approved to change from agricultural use to industrial use. Premiums and other relevant charges for the above conversion have also been paid to the Land Office on 29 March 2016 vide a letter bearing Land Office’s Reference No.: Bil (36) dlm. PTDK 09/02/03/0100/0018/2014 dlm.

(6) The Malaysia legal opinion states, inter alias, that:

- a) The Group is the registered proprietor of the land parcels the corresponding buildings erected thereon as captioned in Notes (2) and (3) above.
- b) Regarding Land 2, Land 3 & Land 4 as captioned in Note (3) above, the amalgamation and conversion of land use from agricultural to industrial use was approved subject to the condition, amongst, others, that the Group will be required to pay a conversion fee to the Land Administrator within 3 months from the date of the

approval. The approval was also subject to the condition which relates to the surrender of a small portion of the land measuring 0.1919 hectares for public road widening purposes. The Group has paid the conversion fee for the conversion of land and at the same time appealed against the condition specified above. Once paid and once outcome of the appeal against the condition imposed is known and duly resolved, a single land title will be issued to these land parcels pursuant to the National Land Code. As at the date of the legal opinion, the single title has not been issued to the Group Notwithstanding that the single title to these land parcels has not been issued, the Group remains as the registered proprietor of these land parcels.

- c) As at the date of the legal opinion, the Group has paid and settled all land taxes and rates due and payable over the land parcels 1-4.
- d) The Group has been issued and currently holds the Certificate of Completion and Compliance for the approved area of the existing buildings erected on the Land 1, Land 2, Land 3 and Land 4.
- e) There is no notice issued to the Group in respect of the land held under title enumerated in Land 2, Land 3 and Land 4. The land searches conducted on the titles to the land do not disclose any endorsement of breach of condition or any notice of forfeiture.
- f) Based on the letter dated 21 March 2016, the Group received approval to the amalgamation of the Land 2, Land 3 and Land 4 for the Building 1 into a single title and to convert the category of land use from Agriculture to Industrial. With such approval and in the absence of any written notice or endorsement on the title on forfeiture of Land 2, Land 3 and Land 4, the new title to these lands for the Building 1 will be issued and registered in the name of the Group and will not be subject to forfeiture by the relevant land authority.
- g) The Group created the following land charges:
  - i. three land charges in favour of Malayan Banking Berhad on 9 October 2014 vide Presentation No. 818/2014, 819/2014 and 820/2014 over the title to the existing buildings on Land 1;
  - ii. one land charge in favour of Maybank Islamic Berhad on 9 October 2014 vide Presentation No. 821/2014 over the title to the existing buildings on Land 1;
  - iii. two land charges in favour of Maybank Islamic Berhad on 29 October 2014 vide Presentation No. 900/2014 and 901/2014 dated 29 October 2014 over the title to the existing buildings on Land 1;
  - iv. five land charges in favour of Malayan Banking Berhad on 29 October 2014 vide Presentation No. 891/2014, 892/2014, 893/2014, 894/2014 and 895/2014 over the title to the existing buildings on Land 1;
  - v. three land charges in favour of Maybank Islamic Berhad on 29 October 2014 vide Presentation No. 896/2014, 897/2014 and 898/2014; and
  - vi. one land charge in favour of RHB Bank Berhad was created on 15 September 2015 vide Presentation No. 863/2015, 866/2015 and 869/2015 on the titles to the Building 1 on Land 2, Land 3 and Land 4.
- h) The extension structures (“Extensions”) of the existing buildings erected on Land 1 that were not approved by the relevant authority in accordance with the Johor State By-laws. In order to rectify this, the Group would apply to the Kulai Municipal Council for the approval of building plans and the issuance of the Certificate of Completion and Compliance. Pending the approval for the building plans and issuance of the Certificate of Completion and Compliance, the Group has applied to the Kulai Municipal Council for a temporary permit to occupy and use the Extensions on 8 September 2016. The temporary permit for the Extensions was issued by the Kulai Municipal Council on 5 October 2016 for a period of one year subject to conditions imposed by the Kulai Municipal Council.



Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 June, 2016 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Company’s constitutional documents consist of its memorandum of association (the “Memorandum”) and its articles of association (the “Articles”).

## **1. MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

## **2. ARTICLES OF ASSOCIATION**

The Articles were conditionally adopted on 21 October 2016 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

### **(a) Shares**

#### **(i) *Classes of shares***

The share capital of the Company consists of ordinary shares.

*(ii) Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

*(iii) Alteration of capital*

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

*(iv) Transfer of shares*

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

***(v) Power of the Company to purchase its own shares***

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

***(vi) Power of any subsidiary of the Company to own shares in the Company***

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

***(vii) Calls on shares and forfeiture of shares***

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to

advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

**(b) Directors**

**(i) *Appointment, retirement and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board

may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

*(ii) Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine), or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(iii) Power to dispose of the assets of the Company or any of its subsidiaries*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

*(iv) Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*(v) Remuneration*

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.



The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(vi) Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

*(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

**(c) Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

**(d) Alterations to constitutional documents and the Company's name**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(e) Meetings of members*****(i) Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

*(ii) Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

*(iii) Annual general meetings*

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

*(iv) Notices of meetings and business to be conducted*

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers published daily and circulating generally in Hong Kong and in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

**(v) *Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

**(vi) Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(f) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual



accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

**(g) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(h) Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

**(i) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

**(j) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(k) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

**(a) Company operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Disposal of assets**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.



**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 12 July 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

**(n) Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(o) Register of Directors and Officers**

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

**(p) Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in

the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

**(q) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

**(r) Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(s) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**4. GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies and available for inspection — Documents available for inspection" in Appendix VII to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT THE COMPANY AND OUR SUBSIDIARIES****1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 21 June 2016. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 15 July 2016 and our principal place of business in Hong Kong is at 3<sup>rd</sup> Floor, Chinese Club Building, 21-22 Connaught Road Central, Hong Kong. Mr. Yeung Chin Wai has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, its operations are subject to the relevant laws of the Cayman Islands and the Company's constitution which comprises a memorandum of association and articles of association. A summary of the relevant aspects of the Companies Law and certain provisions of our Company's constitution is set out in Appendix V to this prospectus.

**2. Changes in the Share Capital of our Company**

- (a) As at the date of incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. Following its incorporation, one Share was allotted and issued as fully paid to the initial subscriber, an Independent Third Party, which was then transferred to Gemilang International on the same day.
- (b) On 20 October 2016:
  - (i) Mr. SW Phang and Mr. CY Pang (as vendors) transferred 1,000,000 shares and 1,000,000 shares respectively in Gemilang Coachwork (representing the entire issued share capital of Gemilang Coachwork) to our Group, and in consideration of which, our Company (at the direction of Mr. SW Phang and Mr. CY Pang) allotted and issued and credited as fully paid two Shares to Gemilang International;
  - (ii) Each of Mr. SW Phang and Mr. CY Pang transferred 2,500 shares in Gemilang Singapore (representing in aggregate the entire issued share capital of Gemilang Singapore) to our Group, and in consideration of which, our Company (at the direction of Mr. SW Phang and Mr. CY Pang) allotted and issued and credited as fully paid two Shares to Gemilang International.

- (c) Pursuant to the written resolutions of the sole shareholder passed on 21 October 2016, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each by creation of an additional 1,962,000,000 Shares of HK\$0.01 each to rank *pari passu* in all respects with the existing Shares.
- (d) On 21 October 2016, 187,499,995 new Shares were allotted and issued all credited as fully-paid to Gemilang International, in consideration of the capitalisation of loan in the amount of HK\$15,000,000 owing by our Company to Gemilang International. Immediately following the said capitalisation issue, the issued share capital of our Company was HK\$1,875,000 divided into 187,500,000 Shares, all fully paid or credited as fully paid, and 1,812,500,000 Shares will remain unissued.
- (e) Immediately following completion of the Global Offering but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any options granted or to be granted under the Share Option Scheme, 250,000,000 Shares will be issued fully paid or credited as fully paid, and 1,750,000,000 Shares will remain unissued.
- (f) Other than the exercise of the Offer Size Adjustment Option, the exercise of any options granted or to be granted under the Share Option Scheme or the exercise of the general mandate to issue Shares referred to in the paragraph headed “Written resolutions of the sole shareholder” in this appendix, our Directors do not have any present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this prospectus, there has been no alteration in the share capital of our Company since its incorporation.

### 3. Written Resolutions of the sole shareholder

On 21 October 2016, resolutions in writing were passed by the sole shareholder pursuant to which, among other things:

- (a) the Company approved and adopted the Memorandum and the Articles to take effect from the Listing Date, the terms of which are summarised in Appendix V to this prospectus;

- (b) the Company increased its authorised share capital from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each by the creation of an additional 1,962,000,000 Shares of HK\$0.01 each, all of which shall rank *pari passu* in all respects with the existing Shares;
- (c) conditional upon (i) the Listing Committee granting the listing of, and permission to deal in the Shares in issue and to be issued pursuant to the Global Offering as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme and the Offer Size Adjustment Option); and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
- (i) the Global Offering was approved and our Directors were authorised to effect the same and to allot and issue the Offer Shares pursuant to the Global Offering;
- (ii) the proposed listing of the Shares on the Stock Exchange was approved and our Directors were authorised to implement such listing;
- (iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” in this appendix below, were approved and adopted, and our Directors were authorised, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for the Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary, expedient or desirable to implement the Share Option Scheme;
- (iv) a general unconditional mandate was given to our Directors to exercise all powers of the Company to allot, issue and deal with the Shares (otherwise than by way of rights issue or the exercise of any options which have been or may be granted under the Share Option Scheme, or under the Global Offering, or any scrip dividend scheme or similar arrangements in accordance with the Article, or pursuant to a specific authority granted by the Shareholders in general meeting) with an aggregate nominal amount of not more than the sum of 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the Global Offering (but excluding any Shares which may be allotted and issued pursuant to exercise of any options which may be granted under the Share Option Scheme);

- (v) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal amount of not more than 10% of the aggregate nominal amount of our Company's share capital in issue or to be issued immediately following the completion of the Global Offering (excluding Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme);
- (vi) the general unconditional mandate as mentioned in paragraph (v) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (v) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company immediately following completion of the Global Offering but excluding the Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme; and
- (vii) each of the general mandates referred to in paragraphs (iv) and (v) above will remain in effect until whichever is the earliest of:
  - (i) the conclusion of the next annual general meeting of our Company;
  - (ii) the expiration of the period within which our Company is required by the Articles or the Companies Law or any other applicable laws to hold our next annual general meeting; or
  - (iii) the time when such mandate is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

#### **4. Corporate Reorganisation**

The companies comprising the Group underwent the Reorganisation in preparation for the Listing pursuant to which the Company became the holding company of the Group. For information relating to the Reorganisation, please refer to the paragraph headed "History, reorganisation and corporate structure — Reorganisation" of this prospectus.



## 5. Change in the Share Capital of our Subsidiaries

The subsidiaries of the Company are listed in the Accountants' Report of the Group, the text of which is set out in Appendix IA to this prospectus.

Saved as disclosed in the section headed "History, reorganisation and corporate structure — Reorganisation" of this prospectus, there had been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

## 6. Repurchase of our Shares and restrictions on Share repurchases

This section includes information relating to the repurchase of securities, including information required by the Stock Exchange to be included in this prospectus concerning the repurchase of the Shares by the Company.

### (a) *Provisions of the Listing Rules*

The Listing Rules permit our Shareholders to grant our Directors a general mandate to repurchase the Shares that are listed on the Stock Exchange subject to certain restrictions, the most important restrictions are below summarised:

#### (i) *Shareholder's Approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

On 21 October 2016, our Directors were granted a general unconditional mandate to exercise all powers of our Company to repurchase ("Repurchase Mandate") up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering, i.e. 25,000,000 Shares (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme) on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose. This mandate will remain in effect until whichever is the earliest of (i) the conclusion of the next annual general meeting of our Company, (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or (iii) such mandate being revoked, varied or renewed by the passing of an ordinary resolution by our Shareholders in a general meeting.

*(ii) Source of Funds*

Any repurchases of Shares must be financed out of funds legally available for the purpose in accordance with our Articles of Association, the Listing Rules and any applicable laws and regulations from time to time in force of the Cayman Islands. We are not permitted to repurchase our Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Subject to the foregoing, such repurchases by our Company may only be made out of our Company's profits, our Company's share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase. Any premium payable on a purchase over the par value of the Shares to be purchased must have been provided for out of either or both of the profits of our Company or our Company's share premium account. Subject to satisfaction of the solvency test prescribed by the Companies law, a repurchase may also be paid out of capital. .

*(iii) Connected parties*

Under the Listing Rules, a company shall not knowingly repurchase securities on the Stock Exchange from a "core connected person" (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to the company on the Stock Exchange.

*(iv) Shares to be repurchased*

The Listing Rules provide that the Shares which are proposed to be repurchased by us must be fully-paid up.

***(b) Reasons for repurchases***

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

***(c) Funding of repurchases***

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Company as disclosed in this prospectus and taking into account its current working capital position, our Directors consider that, if the Repurchase Mandate is exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

*(d) General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any Shares to us.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, our Company's constitutive documents and the applicable laws of the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Except as mentioned above, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

The Directors will not exercise the Repurchase Mandate if the repurchase would result in the numbers of Shares which are in the hands of public falling below 25% of the total number of Shares in issued (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person (as defined in the Listing Rules) has notified us that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

No repurchase of Shares has been made since the incorporation of our Company.

**B. FURTHER INFORMATION ABOUT OUR GROUP'S BUSINESS****1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this prospectus and are or may be material in relation to the business of our Company taken as a whole:






- (a) the Deed of Non-Competition dated 21 October 2016, entered into by the Controlling Shareholders in favour of our Company, whereby the Controlling Shareholders gave certain non-competition undertakings in favour of our Company, particulars of which are set out in the section headed "Relationship with the Controlling Shareholder — Deed of Non-Competition";
- (b) the Deed of Indemnity dated 21 October 2016 entered into by the Controlling Shareholders in favour of our Company, the particulars of which are set out in the paragraph headed "Estate duty, tax and other indemnities" in this appendix below;
- (c) the Hong Kong Underwriting Agreement;
- (d) the share sale and purchase agreement dated 20 October 2016 and entered into between Gemilang BVI (as purchaser) and Mr. SW Phang and Mr. CY Pang (as vendors), pursuant to which Mr. SW Phang and Mr. CY Pang transferred 1,000,000 shares and 1,000,000 shares respectively in Gemilang Coachwork (representing the entire issued share capital of Gemilang Coachwork) to Gemilang BVI for a consideration of MYR11,533,029.50 and MYR11,533,029.50 respectively;
- (e) the share sale and purchase agreement dated 20 October 2016 entered into between Gemilang BVI (as purchaser) and Mr. SW Phang and Mr. CY Pang (as vendors), pursuant to which each of Mr. SW Phang and Mr. CY Pang transferred 2,500 ordinary shares in the capital of Gemilang Singapore (representing in aggregate the entire issued share capital of Gemilang Singapore) to Gemilang BVI for a consideration of S\$160,205.50 for each transfer; and
- (f) the loan capitalisation agreement dated 21 October 2016, entered into between the Company and Gemilang International, pursuant to which the Company allotted and issued 187,499,995 Shares, credited as fully paid, to Gemilang International by way of capitalisation of loan in the amount of HK\$15,000,000 owing by our Company to Gemilang International.

## APPENDIX VI                      STATUTORY AND GENERAL INFORMATION

### 2. Intellectual property rights of our Group

#### (a) Trademarks

As at the Latest Practicable Date, we have made the following trademark registration applications:

No.	Trademark	Type and class	Name of Applicant	Place of Application	Application Number	Application Date
1		12, 37, 39, 42	Gemilang Coachwork	Hong Kong	303813642	21 June 2016
2	  	12, 37, 39, 42	Gemilang Coachwork	Malaysia	2016007635 (Class 12) 2016007636 (Class 37) 2016007637 (Class 39) 2016007638 (Class 42)	19 July 2016
3		12, 37, 39, 42	Gemilang Coachwork	Australia	1788381	8 August 2016

#### (b) Domain Names

As of the Latest Practicable Date, we have registered the following domain names:

Domain name	Registrant	Date of registration	Expiry date
www.gml.com.my . . . . .	Gemilang Coachwork	24 June, 2005	24 June, 2017

Information in the above website does not form part of this prospectus.

Except as disclosed in this section, there are no other trade or service marks, patents or other intellectual property rights which are or may be material in relation to our business.

**C. FURTHER INFORMATION ABOUT OUR DIRECTORS****1. Service contracts and letters of appointment of our Directors**

Each of our executive Directors has entered into a service contract with our Company. The terms and conditions of each of such service contracts are similar in all material respects. The service contracts are initially for a fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of our executive Directors is entitled to the respective basic salary set out below (subject to annual review at the discretion of the Board). The current basic annual salaries of our executive Directors are as follows:

<u>Name</u>	<u>Amount</u>
Mr. SW Phang . . . . .	HK\$120,000
Mr. CY Pang . . . . .	HK\$120,000
Ms. Shyan Phang . . . . .	HK\$120,000

Each of our independent non-executive Directors has entered into a letter of appointment with our Company. The terms and conditions of each of such letters of appointment are similar in all material respects. The appointments are subject to the provisions of the Articles of Association, the Companies Ordinance, the Companies Law and the Listing Rules with regard to vacation of office of Directors, removal and retirement of rotation of Directors. Each of our independent non-executive Directors are appointed with an initial term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Save for directors' fee, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director. The annual remuneration payable to our independent non-executive Directors under each of the letters of appointment are as follows:

<u>Name</u>	<u>Amount</u>
Ms. Lee Kit Ying . . . . .	HK\$300,000
Ms. Wong Hiu Ping . . . . .	HK\$120,000
Ms. Kwok Yuen Shan Rosetta . . . . .	HK\$120,000
Mr. Huan Yean San . . . . .	HK\$120,000

Save as disclosed above, none of our Directors has entered or has proposed to enter into any service contract with our Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

**2. Directors' remuneration**

- (a) The aggregate remuneration (including salaries and allowance, if any) paid by our Group to our Directors for each of the three years ended 31 October 2015 and the six months ended 30 April 2016 were approximately US\$0.29 million, US\$0.34 million, US\$0.48 million and US\$0.29 million respectively (including salaries and allowances, discretionary bonuses and pension scheme contributions).
- (b) None of our Directors waived any emolument for each of the years ended 31 October 2013, 2014, 2015 and the six months ended 30 April 2016.
- (c) Save as disclosed in the Accountant's Report of the Group in Appendix IA to this Prospectus, no other emoluments have been paid or are payable by our Company to our Directors for each of the three years ended 31 October 2015 and the six months ended 30 April 2016.
- (d) None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended 31 October 2015 and the six months ended 30 April 2016 as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (e) Under the arrangement currently in force, conditional upon the Listing, the estimated aggregate remuneration (including bonus, if any) payable by our Group to our Directors for the financial year ending 31 October 2016 is approximately US\$0.68 million.

**D. DISCLOSURE OF INTERESTS****1. Interests and short positions of our Directors and chief executive of the Company**

Immediately following completion of the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and options which have been or may be granted under the Share Option Scheme, the interests or short positions of our Directors and the chief executive of our Company in our Shares, underlying Shares and debentures and our associated corporations, within the meaning of Part XV of the SFO which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, will be as follows:

<u>Name of Director</u>	<u>Long/short position</u>	<u>Capacity/Nature of interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding</u>
Mr. SW Phang	Long	Interest in a controlled corporation <sup>(1)</sup> ; Interests held jointly with Mr. CY Pang <sup>(3)</sup>	164,156,250	65.66%
Mr. CY Pang	Long	Interest in a controlled corporation <sup>(2)</sup> ; Interests held jointly with Mr. SW Phang <sup>(3)</sup>	164,156,250	65.66%

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*Notes:*

- (1) Mr. SW Phang beneficially owns 100% of the share capital of Sun Wah. By virtue of the SFO, Mr. SW Phang is deemed to be interested in 82,078,125 Shares held by Sun Wah, representing 32.83% of the entire issued share capital of the Company.



- (2) Mr. CY Pang beneficially owns 100% of the share capital of Golden Castle. By virtue of the SFO, Mr. CY Pang is deemed to be interested in 82,078,125 Shares held by Golden Castle representing 32.83% of the entire issued share capital of the Company.
- (3) Pursuant to the Concert Party Deed, Mr. SW Phang and Mr. CY Pang are parties acting in concert (having the meaning ascribed to it under the Takeovers Code). As such, immediately after completion of the Global Offering (without taking into account any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), Mr. SW Phang and Mr. CY Pang will together control 65.66% of the entire issued share capital of our Company.

## 2. Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO

Immediately following completion of the Global Offering and taking no account of the exercise of the Offer Size Adjustment Option and options which have been or may be allotted and issued pursuant to the Share Option Scheme in addition to the interests disclosed under paragraph (a) above, so far as our Directors are aware, the following persons (other than a Director or a chief executive officer of our Company) are expected to have interests or short positions in our Shares or underlying Shares which are required to be disclosed to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of our Company required to be kept under section 336 of the SFO, or, are expected to be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

<u>Substantial Shareholder</u>	<u>Name of Company</u>	<u>Capacity/Nature of interest</u>	<u>Number of Shares upon listing</u>	<u>Approximate percentage of shareholding</u>
Sun Wah	the Company	beneficial owner	82,078,125	32.83%
Golden Castle	the Company	beneficial owner	82,078,125	32.83%
Ms. Chew	the Company	Interest of spouse <sup>(1)</sup>	164,156,250	65.66%
Ms. Low Poh Teng	the Company	Interest of spouse <sup>(2)</sup>	164,156,250	65.66%

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*Notes:*

- (1) Ms. Chew is the spouse of Mr. SW Phang. Therefore, Ms. Chew is deemed to be interested in the Shares in which Mr. SW Phang is interested.
- (2) Ms. Low Poh Teng is the spouse of Mr. CY Pang. Therefore, Ms. Low Poh Teng is deemed to be interested in the Shares in which Mr. CY Pang is interested.

## **E. SHARE OPTION SCHEME**

### **Summary of terms of the Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

#### ***(a) Purpose of the Share Option Scheme***

The purpose of the Share Option Scheme is to enable our Company to grant options to the employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner of our Company or any subsidiary (including any director of our Company or any subsidiary) who is in full-time or part-time employment with or otherwise engaged by our Company or any subsidiary at the time when an option is granted to such employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner or any person who, in the absolute discretion of the Board (“the **Eligible Participants**”), has contributed or may contribute to our Group as incentive or reward for their contribution to our Group to subscribe for the Shares thereby linking their interest with that of our Group.

#### ***(b) Grant and acceptance of options***

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years after the adoption date of the Share Option Scheme to make an offer to any Eligible Participants as the Board may in its absolute discretion select to subscribe for such number of Shares as the Board may determine. An offer shall be made to an Eligible Participant in writing in such form as our Directors may from time to time determine and shall remain open for acceptance by the Eligible Participant concerned for a period of 21 days from the date upon which it is made provided that no such offer shall be open for acceptance after the 10th anniversary of the adoption date of the Share Option Scheme or the termination of the same.

An offer shall be deemed to have been accepted by an Eligible Participant concerned in respect of all Shares which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the offer duly signed by the Eligible Participant, together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company within 21 days from the date of offer or within such time as may be determined by the Board.

Any offer may be accepted by an Eligible Participant in respect of less than the total number of Shares which are offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof.

*(c) Subscription price of Shares*

The subscription price for Shares under the Share Option Scheme shall be determined at the discretion of our Directors but in any event will not be less than the highest of (a) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the offer date of the particular option, which must be a business day; (b) the average closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the offer date of that particular option; and (c) the nominal value of a Share on the offer date of the particular option.

*(d) Maximum number of Shares*

- (i) Subject to (ii) below, the maximum number of Shares in respect of which options may be granted at any time under the Share Option Scheme together with options which may be granted under any other share option schemes for the time being of our Company shall not in aggregate exceed such number of Shares as equals 10 per cent of the issued share capital of our Company at the Listing Date (the “Scheme Mandate Limit”) unless Shareholders’ approval has been obtained pursuant to the sub-paragraph immediately below. On the basis of a total of 250,000,000 Shares in issue as at the Listing Date, the relevant limit will be 25,000,000 Shares which represent 10% of the issued Shares at the Listing Date.

Our Company may seek approval by its Shareholders in general meeting to refresh the Scheme Mandate Limit provided that the total number of Shares available for issue upon exercise of all options which may be granted under the Share Option Scheme and any other schemes of our Group must not exceed 10 per cent of the issued share capital of our Company at the date of approval of refreshing of the Scheme Mandate Limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Group (including those outstanding, cancelled, lapsed in accordance with the Share

Option Scheme or any other share option schemes or exercised options) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send a circular to the Shareholders containing the information required under the Listing Rules.

Our Company may authorise the Directors to grant Options to specified Eligible Participants beyond the Scheme Mandate Limit if the grant of such Options is specifically approved by the Shareholders in general meeting. In such case, the Company must send a circular to the Shareholders in connection with the general meeting at which their approval will be sought containing a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the option to be granted, the purpose of granting options to the specified Participants with an explanation as to how the terms of the options serve such purpose, the information and the disclaimer required under the Listing Rules and such further information as may be required by the Stock Exchange from time to time.

- (ii) The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Group must not exceed 30 per cent of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Group if this will result in the limit being exceeded.
  
- (iii) Unless approved by the Shareholders in the manner set out below, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to each grantee (including both exercised and outstanding options) in any 12-month period must not exceed 1 per cent of the Shares in issue. Where any further grant of options to an Eligible Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1 per cent of the Shares in issue, such further grant must be separately approved by Shareholders in general meeting with such Eligible Participant and his close associates (or his associates if the Eligible Participant is a connected person) abstaining from voting. Our Company must send a circular to its Shareholders and the circular must disclose the identity of the Eligible Participant, the number and terms of the options to be granted (and options previously granted to such Eligible Participant), and such information as may be required under the Listing Rules from time to time. The number and terms (including the subscription price) of options to be granted to such Eligible Participant must be fixed before Shareholders' approval and the date of meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

- (iv) The exercise of any option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company. Subject thereto, our Directors shall make available sufficient of the then authorised but unissued share capital of our Company to allot the Shares on the exercise of any option.

***(e) Exercise of options***

An option may be exercised at any time during the period to be determined and identified by the Board to each grantee at the time of making an offer for the grant of an option, but in any event no later than 10 years from the date of grant.

Subject to terms of the Share Option Scheme, an option shall be exercisable in whole or in part in the circumstances by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is so exercised. Each such notice must be accompanied by a remittance for the full amount of the subscription price for Shares in respect of which the notice is given. After receipt of the notice and the remittance and, where appropriate, receipt of the auditors' certificate, the Company shall within 30 days of the date upon which an option is effectively exercised (being the date of such receipt by the secretary of the Company) allot the relevant Shares to the grantee (or his personal representative(s)) credited as fully paid and instruct the relevant share registrar to issue to the grantee (or his personal representative(s)) a share certificate in respect of the Shares so allotted.

Though there is no specified minimum period under the Share Option Scheme for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms and conditions of the Share Option Scheme, our Directors may make such grant of options, subject to such terms and conditions in relation to the minimum period of such options to be held and/or the performance targets to be achieved as our Directors may determine in their absolute discretion.

***(f) Restrictions on the time of grant of options***

Grant of Options may not be made after inside information has come to the knowledge of our Company until such inside information has been announced in accordance with the relevant requirements of the Listing Rules. In particular, no Option may be granted during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting for the approval of our Company's interim or annual results and (ii) the deadline for our Company to publish its interim or annual results announcement, and ending on the date of such results announcement.

***(g) Rights are personal to grantees***

An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement to do so.

***(h) Rights on ceasing employment***

Unless the Board otherwise determines, the option period in respect of any option shall automatically terminate and that option (to the extent not already exercised) shall automatically lapse on the date on which the grantee ceases to be an Eligible Participant by reason of a termination of his employment on any one or more of the grounds that he has been guilty of persistent or serious misconduct, or has become bankrupt or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or any member of our Group into disrepute).

***(i) Rights on death***

In the event of the grantee ceasing to be an Eligible Participant by reason of his death before exercising the option in full and where the grantee is an employee of our Group none of the events which would be a ground for termination of his employment under paragraph (h) above arises, his personal representative(s) may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of death, or such longer period as our Directors may determine.

***(j) Cancellation of options granted***

The Board may, with the consent of the relevant grantee, at any time at its absolute discretion cancel any option granted but not exercised. Where our Company cancels options and offers new options to the same option holder, the offer of such new options may only be made under the Share Option Scheme with available options (to the extent not yet granted and excluding the cancelled options) within the limit approved by the Shareholders as mentioned in paragraph (d) above.

*(k) Effect of alterations to share capital*

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation of profits or reserves, rights issue or other offer of securities to holders of Shares (including any securities convertible into share capital or warrants or options to subscribe for any share capital of our Company, but excluding options under the Share Option Scheme and options under any other similar employee share option scheme of our Company), consolidation, sub-division or reduction of the share capital of our Company or otherwise howsoever, then, in any such case (other than in the case of capitalisation of profits or reserves) our Company shall instruct auditors or an independent financial adviser appointed by our Company to certify in writing.

(A) the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular grantee, to:

- i. the number or nominal amount of Shares subject to the option so far as unexercised;
- ii. the subscription price;
- iii. the maximum number of Shares referred to in paragraph d(i); and/ or
- iv. the method of the exercise of the option(s).

and an adjustment as so certified by the independent financial adviser appointed by our Company or auditors shall be made, provided that:

- i. any such adjustment must give a grantee the same proportion of the issued share capital of our Company as that to which that person was previously entitled;
- ii. any such adjustment shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event;
- iii. no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;

- iv. the issue of securities of our Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and
- v. to the advantage in any respect of the grantee without specific prior approval of the Shareholders.

(B) in respect of any such adjustment, other than any made on a capitalisation issue, the independent financial adviser or the auditors must confirm to our Directors in writing that the adjustment so made satisfies the requirements of the relevant provisions of the Listing Rules and any guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

***(l) Rights on a general offer***

If a general or partial offer is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all its reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional, the grantee shall, notwithstanding any other term on which his options were granted, be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company at any time thereafter and up to the close of such offer.

***(m) Rights on winding up***

In the event of a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same day as or soon after it despatches such notice to each member of the Company give notice thereof to all the grantees and thereupon, each grantee (or his respective personal representative(s)) may, subject to the provisions of all applicable laws, by notice in writing to the Company, accompanied by the remittance of the subscription price in respect of the relevant option (such notice to be received by the Company not later than two business days prior to the proposed general meeting of the Company) exercise the option (to the extent which has become exercisable and not already exercised) whether in full or in part and the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue such number of Shares to the grantee which may fall to be issued on such exercise credited as fully paid and register the Grantee as holder of such Shares.



*(n) Rights on a compromise or arrangement*

Other than a general or partial offer or a scheme of arrangement contemplated in paragraph (o) below, if a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all the grantees on the same day as it despatches the notice which is sent to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon each grantee (or his personal representative(s)) may by notice in writing to the Company accompanied by the remittance of the subscription price in respect of the relevant option (such notice to be received by the Company not later than two business days before the proposed meeting) exercise any of his options (to the extent which has become exercisable and not already exercised) whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. The Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting referred to above, allot and issue such number of Shares to the grantee which may fall to be issued on such exercise credited as fully paid and register the grantee as holder of such Shares. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Scheme. The Company may require the Grantee (or his personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

*(o) Rights on a scheme of arrangement*

If a general or partial offer by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, the grantee (or his personal representative(s)) may thereafter (but only until such time as shall be notified by our Company, after which it shall lapse) exercise the option (to the extent which has become exercisable and not already exercised) to its full extent or to the extent specified in such notice.

*(p) Ranking of Shares*

Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of their allotment and issue (the “**Exercise Date**”) and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously

declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. Shares allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered into the register of members of our Company as the holder thereof.

***(q) Duration and administration of the Share Option Scheme***

The Share Option Scheme shall be valid and effective commencing from the adoption date of the Share Option Scheme until the termination date as provided therein (which being the close of business of our Company on the date which falls 10 years from the date of the adoption of the Share Option Scheme), after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. The Share Option Scheme shall be subject to the administration of our Board whose decision on all matters arising in relation to the Share Option Scheme or its interpretation or effect shall (save as otherwise provided therein and in the absence of manifest error) be final and binding on all persons who may be affected thereby.

***(r) Alterations to the terms of the Share Option Scheme***

- i. alterations of the provisions relating to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Eligible Participant without the prior approval of the Shareholders in general meeting;
- ii. any alteration to the terms and conditions of the provisions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme;
- iii. any change to the authority of our Directors or administrator of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting; and
- iv. the amended terms of the Share Option Scheme or the options must still comply with the relevant requirements of the Listing Rules and any guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

(s) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional upon:

- i. the Listing Committee granting the listing of, and permission to deal in, any Shares to be issued by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme;
- ii. commencement of dealings of Shares on the Stock Exchange; and
- iii. the passing of the necessary resolution to approve and adopt the Share Option Scheme by the Shareholders in general meeting or by way of written resolution and to authorise our Directors to grant options at their absolute discretion thereunder and to allot, issue and deal with Shares pursuant to the exercise of any options granted under the Share Option Scheme.

(t) *Grant of options to connected persons or any of their associates*

Any grant of options to a Director, chief executive or substantial Shareholder (as defined in the Listing Rules) of our Company, or any of their respective associates must be approved by the independent non-executive Directors (excluding independent non-executive Director who is the proposed grantee of the option). Where any grant of options to a substantial Shareholder or an independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- i. representing in aggregate over 0.1% of the total number of Shares in issue; and
- ii. having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options must be approved by the Shareholders. Our Company must send a circular to its Shareholders. The grantee, his associates and all core connected persons of our Company must abstain from voting at such general meeting, except that any such grantee, his associate, or core connected person of our Company may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. The circular must contain:

- (i) details of the number and terms (including the subscription price) of the options to be granted to each Eligible Participant, which must be fixed before the Shareholders' meeting and the date of the meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options) to the independent Shareholders as to voting; and
- (iii) the information as may be required under the Listing Rules from time to time.

Shareholders' approval is also required for any change in the terms of options granted to an Eligible Participant who is a substantial Shareholder (as defined in the Listing Rules) or an Independent Non-Executive Director, or any of their respective associates.

***(u) Lapse of option***

The Option Period (as defined in the Share Option Scheme) in respect of any option shall automatically terminate and that option (to the extent not already exercised) shall automatically lapse on the earliest of:

- i. the expiry of the Option Period;
- ii. the expiry of any of the periods referred to in paragraphs (h), (i) or (n), where applicable;
- iii. subject to the court of competent jurisdiction not making an order prohibiting the offeror from acquiring the remaining Shares in the offer, the expiry of the period referred to in paragraph (l);
- iv. subject to the scheme of arrangement becoming effective, the expiry date of the period referred to in paragraph (o);
- v. the date on which the grantee ceases to be an Eligible Participant for any reason other than his death or the termination of his employment or engagement on one or more grounds specified in (vi) below;
- vi. the date on which the grantee of an option ceases to be an Eligible Participant by reason of the termination of his employment or engagement on grounds including, but not limited to, misconduct, bankruptcy, insolvency and conviction of any criminal offence;

- vii. the date of the commencement of the winding-up of our Company;
- viii. the date on which the grantee commits a breach of paragraph (g); or
- ix. the date on which the option is cancelled by the Board as set out in paragraph (j).

**(v) *Termination***

Our Company by an ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in force and effect and options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme and the Listing Rules.

**(w) *Disputes***

Any dispute arising in connection with the Share Option Scheme (whether as to the number of Shares of an option, any of the matters referred to in paragraph (k) above or otherwise) shall be referred to the decision of the auditors or the independent financial adviser who shall act as experts and not as arbitrators and whose decision shall, in the absence of manifest error, be final, conclusive and binding on all persons who may be affected thereby.

**(x) *Present status of the Share Option Scheme***

Application has been made to the Listing Committee of the Stock Exchange for the approval of the Share Option Scheme, the subsequent grant of options under the Share Option Scheme and the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme which shall represent 10% of the Share in issue upon completion of the Global Offering.

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

**(y) *Value of options***

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not

available for calculating the value of the options. Our Directors believe that any calculation of the value of the options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

The Board confirms that the Board will not approve the exercise of any option if as a result which our Company will not be able to comply with the public float requirements under the Listing Rules.

## **F. OTHER INFORMATION**

### **1. Estate duty, tax and other indemnities**

Our Controlling Shareholders (the “Indemnifiers”) have, under the Deed of Indemnity referred to in the paragraph headed “— Further information about our Group’s business — Summary of material contracts” in this appendix, given joint and several indemnities to our Company for itself and as trustee for its subsidiaries in connection with, among other things.

- (a) to the extent of which is applicable, any duty which is or hereafter becomes payable by the relevant member of the Group or Gemilang Australia by virtue of section 35 of the Estate Duty Ordinance or any law equivalent or similar thereto under the laws of any jurisdiction outside Hong Kong, or under the provision of section 43 of the Estate Duty Ordinance or any law equivalent or similar thereto under the laws of any jurisdiction outside Hong Kong, by reason of the death of any person and by reason of the assets of any members of the Group or any of such assets being deemed for the purpose of estate duty to be included in the property passing on his death, as a result of that person making or having made a relevant transfer to any members of the Group or Gemilang Australia at any time on or before the Listing Date;
- (b) to the extent of which is applicable, any amount recovered against any members of the Group or Gemilang Australia under the provision of section 43(7) of the Estate Duty Ordinance or any law equivalent or similar thereto under the laws of any jurisdiction outside Hong Kong in respect of any duty payable under section 43(1)(c) or section 43(6) of the Estate Duty Ordinance, by reason of the death of any person and by reason of the assets of any members of the Group, Gemilang Australia or any of such assets being deemed for the purpose of estate duty to be included in the property passing on his death, as a result of that person making or having made a relevant transfer to any members of the Group or Gemilang Australia at any time on or before the Listing Date;

- (c) to the extent of which is applicable, any amount of duty which any members of the Group is obliged to pay by virtue of section 43(1)(c) of the Estate Duty Ordinance or any law equivalent or similar thereto under the laws of any jurisdiction outside Hong Kong in respect of the death of any person in any case where the assets of another company are deemed for the purpose of estate duty to be included in the property passing on that person's death by reason of that person making or having made a relevant transfer to that other company and by reason of any members of the Group or Gemilang Australia having received any distributed assets of that other company on their distribution within the meaning of the Estate Duty Ordinance, in each case at any time on or before the Listing Date, but only to the extent to which any members of the Group is unable to recover an amount or amounts in respect of that duty from any other person under the provision of section 43(7)(a) of the Estate Duty Ordinance or any law equivalent or similar thereto under the laws of any jurisdiction outside Hong Kong;
- (d) any taxation falling on any of member of our Group, among other things, (i) resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, alleged to have, received, entered into or occurring (or deemed to be so earned, accrued, received, entered into or occurring) on or before the Listing Date; and (ii) by reason of any transfer of any property to any member of our Group or to any other person, entity or company made or deemed to have been made on or before the Listing Date;
- (e) all damages, losses and liabilities arising from or in connection with any property claim and/or any other liability claim to the extent that the events leading to such damages, losses and liabilities occurred prior to the Listing Date and any such damages, losses and liabilities are not paid by the insurer under any relevant insurance policy (if any);
- (f) any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by our Group as a result of any litigation, arbitration and/or legal proceedings against any member of our Group which was issued and/or accrued and/or arising from any act, non-performance, omission or otherwise of any member of our Group and/or Gemilang Australia prior to the Listing Date, including the litigation disclosed in the section headed "Business — Legal proceedings and compliance — Legal proceedings" of this prospectus; and
- (g) any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by our Group arising from any violation or non-compliance with the laws, rules or regulations applicable to us and/or Gemilang Australia prior to the Listing Date, including all such non-compliance incidents disclosed in the section headed "Business — Legal Proceedings and compliance — Non-compliances" of this prospectus.

The Indemnifiers will however, not be liable under the Deed of Indemnity for taxation claim to the extent that:

- (a) provision, reserve or allowance has been made for such taxation claim in the audited accounts of any member of our Group for each of the three years ended 31 October 2015 and six months ended 30 April 2016;
- (b) the taxation falling on any member of our Group on or after the Listing Date except liability for such taxation which would not have arisen but for any act or omission of, or transaction voluntarily effected by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) prior to the Listing Date without the prior written consent or agreement of the Indemnifiers other than any such act, omission or transaction:
  - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Listing Date; or
  - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date; or
  - (iii) consisting of any of the members of our Group ceasing, or being deemed to cease, to be a member of any group of companies or being associated with any other company for the purposes of any matter of taxation on or before the Listing Date; or
- (c) such taxation liability is discharged by another person who is not a member of our Group and that no member of our Group is required to reimburse such person in respect of the discharge of such taxation liability;
- (d) any provision or reserve made for taxation in the audited accounts of any member of our Group for each of the three years ended 31 October 2015 and six months ended 30 April 2016 which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce the liability of the Indemnifiers under the Deed of Indemnity in respect of taxation shall not be available in respect of any such liability arising thereafter and for the avoidance of doubt, such over-provision or excessive reserve shall only be applied to reduce the liability of the Indemnifiers under the Deed of Indemnity as aforesaid and none of the members of our Group shall in any circumstances be liable to pay the Indemnifiers any such excess;
- (e) the taxation liability arises in the ordinary course of business of our Group after 30 April 2016 up to and including the Listing Date; or



- (f) such claim arises or is incurred as a consequence of any retrospective changes in law or practice coming into effect after the Listing Date or such claim arises or is increased by an increase in rates in taxation after the Listing Date with retrospective effect.

The Directors have been advised that no material liability for estate duty is likely to fall on our Company in the Cayman Islands.

## **2. Litigation**

As at the Latest Practicable Date, save as disclosed in this prospectus, neither our Company nor any of its subsidiaries is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us.

## **3. Promoter**

Our Company has no promoter for the purpose of the Listing Rules.

Save as disclosed above, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefits have been paid, allotted or given to any promoters in connection with the Global Offering or other related transactions described in this prospectus.

## **4. Preliminary expenses**

Our estimated preliminary expenses are approximately US\$5,460 and have been paid by us.

## **5. Sole Sponsor**

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the options that may be granted under the Share Option Scheme). All necessary arrangements have been made to enable such Shares to be admitted into CCASS. The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor's fees payable by us in respect of the Sole Sponsor's services for the Listing is approximately HK\$6.0 million.

**6. Material adverse change**

Our Directors confirm that there has been no material adverse change in our Company's financial or trading position or prospects of our Group since 30 April 2016 (being the date to which our latest audited combined financial statements were made up) and up to the Latest Practicable Date.

**7. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance this prospectus, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

**8. Taxation of holders of Shares*****(a) Hong Kong***

The sale, purchase and transfer of Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration of or, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of Shares whose death occurs on or after February 11, 2006.

***(b) Cayman Islands***

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

***(c) Consultation with professional advisors***

Intending holders of the Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering will accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares or exercise of any rights attaching to them.

**9. Miscellaneous**

Save as disclosed in this prospectus,

- (a) within the two years immediately preceding the date of this prospectus,
  - (i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (iii) no founders, management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued;
  - (iv) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;
  - (v) no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company;
  - (vi) our Group purchased three pieces of freehold land for the new facility from GML Property, a company incorporated under the laws of Malaysia, situated at Ptd 42326, Jalan Seelong, Mukim Senai, 81400 Senai, Johor, West Malaysia and being our related party, which amount to US\$1.15 million. For further details, please refer to Note 27(a) of the Accountants' Report of the Group in Appendix IA to this prospectus.
- (b) there have been no interruptions in our business that may have or have had a significant effect on our financial position in the 12 months immediately preceding the date of this prospectus;
- (c) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal is being proposed to be sought;
- (d) our Company has no outstanding convertible debt securities;

- (e) there are no arrangements under which future dividends are waived or agreed to be waived;
- (f) no member of our Group is presently listed on any stock exchange or traded in any trading system;
- (g) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement; and
- (h) our principal register of members will be maintained by our principal registrar, Codan Trust Company (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

#### 10. Qualification of experts

The following are the respective qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
Alliance Capital Partners Limited	A corporation licensed to carry on type 1 (Dealing in securities) and type 6 (Advising on corporate finance) regulated activity under the SFO
Crowe Horwath (HK) CPA Limited	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Zul Rafique & Partners	Malaysia legal advisers
Dentons Rodyk & Davidson LLP	Singapore legal advisers
Lavan Legal	Australia legal advisers
RSM Tax Consultants (Malaysia) Sdn. Bhd.	Tax consultant
BDO Financial Services Limited	Internal control reviewer

Name	Qualification
Ipsos Sdn. Bhd.	Industry research consultant
American Appraisal China Limited	Property valuer

## 11. Consent of experts

Each of the experts referred to in paragraph 10 above has given and has not withdrawn their respective written consent to the issue of this prospectus with the inclusion of its reports and/or letters and/or opinions or summaries of opinions (as the case may be) and the references to its name in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

## 12. Disclaimers

Save as disclosed herein:

- (1) none of our Directors or the chief executives of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once the Shares are listed;
- (2) none of our Directors or experts referred to under paragraph headed “— Other Information — Qualification of experts” in this appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (3) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant to the business of our Group;

- (4) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (5) taking no account of Shares which may be taken up under the Global Offering, none of our Directors or chief executives knows of any person (not being a Director or chief executives of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and
- (6) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group.

### **13. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) copies of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) copies of the written consents of the experts referred to in the section headed “Statutory and General Information — Other information — Consents of experts” in Appendix VI to this prospectus; and
- (c) copies of the material contracts referred to in the section headed “Statutory and General Information — Further information about our Group’s business — Summary of material contracts” in Appendix VI to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office(s) of Ma Tang & Co. Solicitors at 3<sup>rd</sup> Floor, Chinese Club Building, 21-22 Connaught Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this Prospectus (both dates inclusive):

- (a) the Memorandum and Articles of Association;
- (b) the audited combined financial statements of our Group for each of the three financial years ended 31 October 2013, 2014 and 2015 and for the six months ended 30 April 2016 included in the accountant’s report of our Group from Crowe Horwath (HK) CPA Limited, the text of which is set out in Appendix IA to this prospectus;
- (c) the audited financial statements of Gemilang Australia for each of the three years ended 31 October 2013, 2014 and 2015 and the six months ended 30 April 2016 included in the accountant’s report from Crowe Horwath (HK) CPA Limited, the text of which is set out in Appendix IB to this prospectus;
- (d) the report from Crowe Horwath (HK) CPA Limited on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (e) a letter prepared by Crowe Horwath (HK) CPA Limited relating to the forecast of the consolidated profit of the Group attributable to equity holders of the Company for the year ending 31 October 2016, the text of which is set out in Appendix III to this prospectus;

- (f) a letter prepared by Alliance Capital Partners Limited relating to the forecast of the consolidated profit attributable to equity holders of the Group for the year ending 31 October 2016, the text of which is set out in Appendix III to this prospectus;
- (g) the material contracts referred to in the section headed “Statutory and General Information — Further information about our Group’s business — Summary of material contracts” in Appendix VI to this prospectus;
- (h) the service contracts with the executive Directors and the appointment letters with the independent non-executive Directors referred to in the section headed “Statutory and General Information — Further information about our directors — Service contracts and letters of appointment of our Directors” in Appendix VI to this prospectus;
- (i) the written consents of the experts referred to in the section headed “Statutory and General Information — Other information — Consents of experts” in Appendix VI to this prospectus;
- (j) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the company law of the Cayman Islands referred to in Appendix V to this prospectus;
- (k) the legal opinion issued by Zul Rafique & Partners in respect of certain aspects of Malaysian law;
- (l) the legal opinion issued by Lavan Legal in respect of certain aspects of Australian law;
- (m) the legal opinion issued by Dentons Rodyk & Davidson LLP in respect of certain aspects of Singapore law;
- (n) the Ipsos Report;
- (o) the letter issued by American Appraisal China Limited on the valuation of an industry complex of our Group in Malaysia;
- (p) the report issued by RSM Tax Consultants (Malaysia) Sdn. Bhd. in respect of, among others, certain aspects of taxation in Malaysia;
- (q) the report issued by BDO Financial Services Limited on the internal control of our Group;
- (r) the rules of the Share Option Scheme; and
- (s) the Companies Law.



**Gemilang International Limited**  
彭順國際有限公司