



Gemilang International Limited

彭順國際有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 6163

2017
Interim Report

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Corporate Information

EXECUTIVE DIRECTORS

Mr. Phang Sun Wah (*Chairman*)
Mr. Pang Chong Yong (*Chief Executive Officer*)
Ms. Phang Huey Shyan (*Chief Corporate Officer*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Lee Kit Ying
Ms. Wong Hiu Ping
Ms. Kwok Yuen Shan Rosetta
Mr. Huan Yean San

AUDIT COMMITTEE

Mr. Huan Yean San (*Chairman*)
Ms. Kwok Yuen Shan Rosetta
Ms. Wong Hiu Ping

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

Ms. Kwok Yuen Shan Rosetta (*Chairman*)
Ms. Wong Hiu Ping
Mr. Pang Chong Yong

SENIOR MANAGEMENT

Mr. Phang Jyh Siong
Mr. Lee Kon San
Mr. Pang Ser Hong

COMPANY SECRETARY

Mr. Yeung Chin Wai

AUTHORISED REPRESENTATIVE UNDER PART 16 OF THE COMPANIES ORDINANCE

Mr. Yeung Chin Wai

AUTHORISED REPRESENTATIVES UNDER LISTING RULES

Ms. Phang Huey Shyan
Mr. Yeung Chin Wai

COMPLIANCE ADVISER

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

AUDITORS

Crowe Horwath (HK) CPA Limited
9/F, Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Ma Tang & Co. Solicitors
3rd Floor, Chinese Club Building
21-22 Connaught Road Central
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
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50470 Kuala Lumpur
Malaysia

OCBC Bank (Malaysia) Berhad

47, 49 Jalan Molek 1/29
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81100 Johor Bahru, Johor
Malaysia

PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

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

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 22, Hopewell Centre
183 Queen's Road East
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REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square
Hutchins Drive
PO Box 2681, Grand Cayman
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HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN MALAYSIA

Ptd 42326,
Jalan Seelong,
Mukim Senai,
81400 Senai, Johor,
West Malaysia

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTER UNDER PART 16 OF THE COMPANIES ORDINANCE

Unit 206A, 2/F,
Sun Cheong Industrial Building,
2 Cheung Yee Street,
Lai Chi Kok, Kowloon,
Hong Kong

SHARE LISTING

The Stock Exchange of Hong Kong Limited (the
“**Stock Exchange**”)
Stock code: 6163.HK
Board lot: 2,000 shares

CORPORATE WEBSITE ADDRESS AND INVESTOR RELATIONS CONTACT

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Management Discussion and Analysis

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

BUSINESS REVIEW

The Group designs and manufactures bus bodies and assemble buses. We divide our target markets into two segments, namely core markets which comprise Singapore and Malaysia, and developing markets which comprise all other markets to where we export our products including Australia, Hong Kong, People’s Republic of China, Uzbekistan and New Zealand. Our buses, comprising city buses and coaches in both aluminium and steel, mainly serve public and private bus transportation operators in our target markets. Our products mainly include single deck, double deck and articulated city buses, as well as single deck, double deck and high deck coaches.

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

During the Reporting Period, approximately 90.1% of our revenue was derived from the sales of aluminium buses and bus bodies. The demand in aluminium bus and bus body will continue to experience a higher growth due to increasing demand for the use of materials that meets environmental standards. Aluminium will likely be the preferred material for buses, in particular electric buses, due to its lighter weight and better energy efficiency.

The Group delivered a total of 113 buses (CBUs*), 59 units of CKDs* and 84 units of SKDs* to our customers during the Reporting Period.

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

**Notes:*

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

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

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

Sales of bus bodies segment

**Revenues from
external customers
For the six months ended
30 April**

	2017 <i>US\$'000</i>	2016 <i>US\$'000</i>
Malaysia (place of domicile)	5,159	238
Singapore	10,025	9,770
Hong Kong	1,278	2,533
Australia	1,897	821
People's Republic of China	445	194
Uzbekistan	1,747	632
New Zealand	—	961
Others	—	675
	20,551	15,824

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

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

Sales of parts and provision of relevant services segment

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

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

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

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

OUTLOOK

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

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

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

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

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

(2) Signing of the “Letter of Cooperation”

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

Significance of the event

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

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

OPERATING RESULTS AND FINANCIAL REVIEW

Revenue

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

Management Discussion and Analysis

By product category

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

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

By product material category

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

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

By geographical location

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

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

Gross profit and gross profit margin

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

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

Selling and distribution expenses

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

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

Management Discussion and Analysis

General and administrative expenses

Our general and administrative expenses mainly comprised staff costs as well as legal and professional fees. Staff costs mainly represent the salary and staff benefits to our management and our staff who were not directly involved in the production.

Our general and administrative expenses increased by approximately US\$1.05 million or 62.9% from approximately US\$1.67 million for the six months ended 30 April 2016 to US\$2.72 million during the Reporting Period.

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

Income tax expenses

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

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Cash flow

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

Net current assets (liabilities)

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

Cash and cash equivalent, bank deposits and bank loans

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

Gearing ratio

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

Capital expenditures

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

Significant investments

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

Commitments

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

Material investments or capital assets

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

Material acquisitions or disposals

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

Foreign exchange risk

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

Management Discussion and Analysis

Charges on assets

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

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

Contingent liabilities and guarantees

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

(i) Performance bonds

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

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

(ii) Financial guarantees

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

	As at 30 April 2017 US\$'000	As at 31 October 2016 US\$'000
Guarantees given to banks in connection with facilities granted to:		
— Related companies		
GML Property Sdn. Bhd.	—	1,859
GML Technologies Sdn. Bhd.	—	1,362
	<u>—</u>	<u>3,221</u>
	As at 30 April 2017 US\$'000	As at 31 October 2016 US\$'000
Utilised to the extent of the following amounts by:		
— Related companies		
GML Property Sdn. Bhd.	—	1,859
GML Technologies Sdn. Bhd.	—	1,362
	<u>—</u>	<u>3,221</u>

As at 31 October 2016, the maximum liability of the Group under the guarantees issued represents the amount drawn down by the related parties. No deferred income in respect of these guarantees issued has been recognised as the directors of the Company consider that the fair value of the guarantees is not significant. Accordingly, these guarantees were not provided for in these financial statements as at 31 October 2016.

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

INTERIM DIVIDENDS

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 April 2017, the total number of full-time employees of the Group was approximately 229 (31 October 2016: 222). The Group recruits, employs, remunerates and promotes its employees based on their qualifications, experience, skills, performance and contributions. Remuneration is offered with reference to market rates. Salary and/or promotion review is conducted upon performance appraisal by management on a regular basis. Discretionary year-end bonus and share options, if applicable, are granted to eligible employees, in accordance with the Group's performance and individual's contribution. Ample in-house orientation and on-the-job training are arranged for the employees all year around. Employees are always encouraged to attend job-related seminars, courses and programs organised by professional or educational institutions, in Malaysia, Hong Kong or other jurisdiction.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this interim report, there was no other significant events that might affect the Group since the end of the six months ended 30 April 2017.

USE OF PROCEEDS FROM GLOBAL OFFERING

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

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

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

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

Corporate Governance and Other Information

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 April 2017, the interests or short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in the ordinary shares of the Company (the “Shares”)

Name of Shareholders	Capacity/ Nature of interests	Total number of Shares and underlying Shares held ⁽¹⁾	Approximate percentage of issued share capital
Mr. Phang Sun Wah	Interest in a controlled corporation ⁽²⁾	82,078,125(L)	32.83%
	Interest held jointly with Mr. Pang Chong Yong ⁽⁴⁾	82,328,125(L)	32.93%
	Beneficial Interest ⁽⁶⁾	250,000(L)	0.1%
	Interest of spouse ⁽⁵⁾	100,000(L)	0.04%
Mr. Pang Chong Yong	Interest in a controlled corporation ⁽³⁾	82,078,125(L)	32.83%
	Interest held jointly with Mr. Phang Sun Wah ⁽⁴⁾	82,428,125(L)	32.97%
	Beneficial Interest ⁽⁶⁾	250,000(L)	0.1%
Ms. Phang Huey Shyan	Beneficial Interest ⁽⁶⁾	250,000(L)	0.1%

(1) The letter “L” denotes a person’s “long position” (as defined under Part XV of the SFO) in such Shares.

(2) Mr. Phang Sun Wah beneficially owns 100% of the share capital of Sun Wah Investments Limited. By virtue of the SFO, Mr. Phang Sun Wah is deemed to be interested in 82,078,125 Shares held by Sun Wah Investments Limited, representing 32.83% of the entire issued share capital of the Company.

(3) Mr. Pang Chong Yong beneficially owns 100% of the share capital of Golden Castle Investments Limited. By virtue of the SFO, Mr. Pang Chong Yong is deemed to be interested in 82,078,125 Shares held by Golden Castle Investments Limited representing 32.83% of the entire issued share capital of the Company.

(4) Pursuant to the confirmatory deed in relation to parties acting in concert dated 20 July 2016 and signed by Mr. Phang Sun Wah and Mr. Pang Chong Yong, Mr. Phang Sun Wah and Mr. Pang Chong Yong are parties acting in concert (having the meaning ascribed to it under the Takeovers Code). As such, Mr. Phang Sun Wah and Mr. Pang Chong Yong will together control 65.90% of the entire issued share capital of our Company.

(5) By virtue of the SFO, Mr. Phang Sun Wah is deemed to be interested in 100,000 shares, being the interest beneficially held by his wife.

(6) Included interests of share options granted under the share option scheme of the Company which was adopted by the Company on 21 October 2016.

Save as disclosed above, as at 30 April 2017, none of the Directors and chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 April 2017, to the best knowledge of the Directors, the interests or short positions of the persons, other than the Directors or chief executives of the Company, in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the ordinary Shares

Name of Shareholders	Capacity/ Nature of interests	Total number of Shares and underlying Shares held ⁽¹⁾⁽⁵⁾	Approximate percentage of issued share capital
Sun Wah Investments Limited	Beneficial owner	82,078,125 (L)	32.83%
Golden Castle Investments Limited	Beneficial owner	82,078,125 (L)	32.83%
Ms. Chew Shi Moi	Interest of spouse ⁽²⁾⁽³⁾	164,756,250(L)	65.90%
Ms. Low Poh Teng	Interest of spouse ⁽²⁾⁽⁴⁾	164,756,250(L)	65.90%

(1) The letter "L" denotes a person's "long position" (as defined under Part XV of the SFO) in such Shares

(2) Pursuant to the confirmatory deed in relation to parties acting in concert dated 20 July 2016 and signed by Mr. Phang Sun Wah and Mr. Pang Chong Yong, Mr. Phang Sun Wah and Mr. Pang Chong Yong are parties acting in concert (having the meaning ascribed to it under Takeovers Code). As such, Mr. Phang Sun Wah and Mr. Pang Chong Yong will together control 65.90% of the entire issued share capital of the Company.

(3) Ms. Chew Shi Moi is the spouse of Mr. Phang Sun Wah. Therefore, Ms. Chew Shi Moi is deemed to be interested in the Shares in which Mr. Phang Sun Wah is interested.

(4) Ms. Low Poh Teng is the spouse of Mr. Pang Chong Yong. Therefore, Ms. Low Poh Teng is deemed to be interested in the Shares in which Mr. Pang Chong Yong is interested.

(5) Included interests of share options granted under the share option scheme of the Company which was adopted by the Company on 21 October 2016.

Save as disclosed herein, as at 30 April 2017, the Directors were not aware of any person (other than the Directors and chief executive of the Company) who had an interest and short position in Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

During the six months ended 30 April 2017 and up to the date of this interim report, none of the Directors or their respective associates (as defined in the Listing Rules) had any interest in any business which were in competition or were likely to compete, either directly or indirectly with the Group's business which needs to be disclosed pursuant to Rule 8.10 of the Listing Rules.

SHARE OPTION SCHEME

The Company conditionally adopted the share option scheme (the “**Share Option Scheme**”) prepared in accordance with Chapter 17 of the Listing Rules on 21 October 2016 for the primary purpose of providing incentives or rewards to eligible participants as defined in the Share Option Scheme to recognise and acknowledge their contribution to the Group and motivate them to higher levels of performance.

(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.

On 26 January 2017, the Company granted a total of 5,000,000 share options (the “**Share Options**”) under the Share Option Scheme to subscribe for a total of 5,000,000 ordinary shares of the Company. The details of such grant of the Share Options are set out as follows:

Total number of Share Options granted: 5,000,000

Exercise price of Share Options granted: HK\$1.764 per share, as stated in the daily quotations sheet issued by the Stock Exchange, the closing price of the date of grant and the date immediately before the date of grant were HK\$1.74.

Validity period of the Share Options: Subject to the terms of the Share Option Scheme, the Share Options shall be exercisable in whole or in part within 5 years commencing on the date of grant.

Among the 5,000,000 Share Options granted, 1,160,000 share options were granted to the directors, chief executive or substantial shareholder of the Company, or any of their respective associate(s) (as defined in the Listing Rules), details of which are as follows:

Name of Grantee	Capacity	Number of Share Options granted
<u>Directors</u>		
Mr. Phang Sun Wah	Chairman, executive director and substantial shareholder of the Company	250,000
Mr. Pang Chong Yong	Chief executive officer, executive director and substantial shareholder of the Company	250,000
Ms. Phang Huey Shyan	Chief corporate officer and executive director of the Company	250,000
		750,000
<u>Employees</u>		
Mr. Phang Jyh Siong	General manager of the Company, the son of Mr. Phang Sun Wah and brother of Ms. Phang Huey Shyan	284,000
Mr. Pang Ah Hoi	The father of Mr. Pang Chong Yong and employee of the Group	50,000
Ms. Pang Yok Moy	The sister of Mr. Pang Chong Yong and employee of the Group	76,000
		410,000
		1,160,000

Corporate Governance Report and Other Information

Pursuant to Rule 17.04(1) of the Listing Rules, the grant of Share Options to each of the above Grantees has been approved by the independent non-executive directors of the Company. Save as disclosed above, none of the Grantees is a director, chief executive or substantial shareholder of the Company, or any of their respective associate(s) (as defined in the Listing Rules). The balancing 3,840,000 Share Options were granted to the employees of the Group located in Hong Kong and Malaysia.

The fair values of the Share Options granted under the Scheme were determined and measured using the Binomial Option Pricing Model on 26 January 2017. The significant inputs into the models were the exercise price shown above, expected volatility of 37.66%, expected dividend yields of 0%, expected option life of 5 years and risk free interest rates of 2.15% (with reference to the yield rates prevailing on Hong Kong Exchange Fund Notes with duration similar to the expected option life). As any changes in the subjective input assumptions can materially affect the fair value estimates, the valuation models for the Share Options granted do not necessarily provide a reliable single measure of the fair value of the Share Options. The related accounting policy for the fair value of the Share Options granted is disclosed in this Interim Report.

The variables and assumptions used in computing the fair value of the share options are based on the director's best estimate. The value of an option varies with different variables of certain subjective assumptions.

A total of 5,000,000 share options were granted on 26 January 2017 under the Share Option Scheme and 4,828,000 share options remained outstanding as at 30 April 2017 with 172,000 share options have been lapsed during the period.

The table showing movements in the Company's share options held by each of the directors and the employees of the Company in aggregate granted under the Share Option Scheme of the Company during the six months ended 30 April 2017 is disclosed at note 15 to the financial statement in this Interim Report:

AUDIT COMMITTEE

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

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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the period ended 30 April 2017
(Expressed in United States Dollars)

For the six months ended
30 April

	Note	2017 (Unaudited) US\$'000	2016 (Audited) US\$'000
Revenue	3	21,838	16,754
Cost of sales		(16,692)	(12,624)
Gross profit		5,146	4,130
Other revenue		29	28
Other net income		250	107
Selling and distribution expenses		(1,578)	(839)
General and administrative expenses		(2,717)	(1,667)
Profit from operations		1,130	1,759
Finance costs	4a	(304)	(323)
Share of (loss) of an associate		(98)	—
Profit before taxation	4	728	1,436
Income tax	6	(461)	(528)
Profit for the period attributable to the equity owners of the Company		267	908
Other comprehensive (loss)/income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of overseas subsidiaries		(106)	500
Total comprehensive income for the period attributable to equity owners of the Company		161	1,408
Earnings per share			
— Basic (US cents per share)	7	0.11	0.48
— Diluted (US cents per share)	7	0.11	0.48

Condensed Consolidated Statement of Financial Position

As at 30 April 2017
(Expressed in United States dollars)

	Note	As at 30 April 2017 (Unaudited) US\$'000	As at 31 October 2016 (Audited) US\$'000
Non-current assets			
Property, plant and equipment	8	7,508	7,625
Intangible asset		274	283
Interest in an associate	9	57	155
		7,839	8,063
Current assets			
Inventories		15,686	12,629
Trade and other receivables	10	8,326	15,145
Tax recoverable		69	—
Pledged bank deposits	11	1,927	1,993
Cash and bank balances		3,860	1,700
		29,868	31,467
Current liabilities			
Trade and other payables	12	11,373	19,455
Bank borrowings	13	7,580	11,081
Bank overdrafts		896	879
Obligations under finance leases		73	73
Provision for taxation		33	56
		19,955	31,544
Net current assets/(liabilities)		9,913	(77)
Total assets less current liabilities		17,752	7,986
Non-current liabilities			
Obligations under finance leases		172	218
Deferred tax liabilities		252	177
		424	395
Net assets		17,328	7,591
Capital and reserves			
Share capital	14	322	242
Reserves		17,006	7,349
Total equity attributable to owners of the Company		17,328	7,591

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 April 2017
(Expressed in United States Dollars)

	Attributable to equity owners of the Company						
	Share capital US\$'000	Share premium US\$'000	Merger reserve US\$'000	Exchange reserve US\$'000	Share option reserve US\$'000	Retained earnings US\$'000	Total US\$'000
At 1 November 2015 (Audited)	679	—	—	(1,192)	—	5,246	4,733
Profit for the period	—	—	—	—	—	908	908
Other comprehensive income for the period							
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 (Note 5)	—	—	—	—	—	(486)	(486)
At 30 April 2016 (Audited)	<u>679</u>	<u>—</u>	<u>—</u>	<u>(692)*</u>	<u>—*</u>	<u>5,668*</u>	<u>5,655</u>
At 1 November 2016 (Audited)	242	1,691	679	(1,161)	—	6,140	7,591
Profit for the period	—	—	—	—	—	267	267
Other comprehensive expense for the period							
Exchange differences on translation of financial statements of overseas subsidiaries	—	—	—	(106)	—	—	(106)
Total comprehensive income for the period	—	—	—	(106)	—	267	161
Issue of new shares by the Company upon global offering	80	10,229	—	—	—	—	10,309
Share issue expenses	—	(1,112)	—	—	—	—	(1,112)
Recognition of equity-settled share-based payment	—	—	—	—	379	—	379
Lapse of share options	—	—	—	—	(13)	13	—
At 30 April 2017 (Unaudited)	<u>322</u>	<u>10,808*</u>	<u>679*</u>	<u>(1,267)*</u>	<u>366*</u>	<u>6,420</u>	<u>17,328</u>

* These reserve accounts comprise consolidated reserves of approximately US\$17,006,000 (2016: US\$7,349,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 April 2017
(Expressed in United States dollars)

	For the six months ended 30 April	
	2017 (Unaudited) US\$'000	2016 (Audited) US\$'000
Net cash (used in)/generated from operating activities	(3,319)	4,250
Investing activities		
Interest received	26	22
Proceeds from disposal of property, plant and equipment	1	—
Payment for purchase of plant and equipment	(331)	(1,363)
Net cash (used in) investing activities	(304)	(1,341)
Financing activities		
Change in balance with the directors	—	383
(Increase) in pledged bank deposits	—	(22)
Proceeds from bank borrowings	14,409	9,697
Repayment of bank borrowings	(17,477)	(11,042)
Repayment of finance lease payables	(36)	(19)
Interest expenses	(304)	(285)
Proceeds from shares issued by the Company	10,309	—
Share issue expenses	(1,112)	—
Dividend paid to the Controlling Shareholders	—	(486)
Net cash generated from/(used in) financing activities	5,789	(1,774)
Net increase in cash and cash equivalents	2,166	1,135
Effects of foreign exchange translation	(23)	7
Cash and cash equivalents at beginning of the period	821	122
Cash and cash equivalents at the end of the period	2,964	1,264
Cash and cash equivalents at the end of the period, represented by		
Cash and bank balances	3,860	1,264
Bank overdrafts	(896)	—
	2,964	1,264

Notes to the Condensed Consolidated Financial Statements

1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding. The principal activity of the Group is engaged in assembling and selling of aluminium and steel buses and manufacturing bus bodies. As at 30 April 2017, the directors consider that the Company is ultimately controlled by Mr. Phang Sun Wah and Mr. Pang Chong Yong (the “**Controlling Shareholders**”).

The address of the registered office and principal place of business of the Company is disclosed in the section of corporate information of the interim report.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated financial statements for the six months ended 30 April 2017 comprises the Company and its subsidiaries (together referred to as the “**Group**”) and the Group’s interest in an associate.

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

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

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

Pursuant to the Group’s reorganisation (the “**Reorganisation**”) in preparation for the listing of the Company’s shares (the “**Listing**”) on the Stock Exchange, the Company became the holding company of the companies now comprising the Group. Details of which were set out in the section headed “History, reorganisation and corporate structure” in the Company’s prospectus dated 31 October 2016 (the “**Prospectus**”). The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the condensed consolidated financial statements have been prepared as if the Reorganisation had been completed at 1 November 2015 and the current group structure had always been in existence.

The condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of change in equity and condensed consolidated statement of cash flows for the six months period ended 30 April 2016 have been prepared to present the results and cash flows of the companies now comprising the Group (or where the companies were incorporated at a date later than 1 November 2015, for the period from the date of incorporation to 31 October 2016), as if the group structure had been in existence throughout the six months period ended 30 April 2016.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

Principal accounting policies

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

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to directors and employees of the Group.

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

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

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

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

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

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

Principal accounting policies (continued)

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

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

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

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

(b) Segment reporting

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

The Group has presented the following two reporting segments:

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

3. REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

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

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

Information regarding the above segments is reported below.

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

For the six months period ended 30 April 2017

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

3. REVENUE AND SEGMENT REPORTING (continued)**(b) Segment reporting** (continued)

For the six months period ended 30 April 2016

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

4. PROFIT BEFORE TAXATION

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

(a) Finance costs

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

(b) Staff costs (including directors' emoluments)

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

(c) Other items

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

5. DIVIDENDS

Dividends during the six months period ended 30 April 2016 represented dividends declared by the companies now comprising the Group to the then owners of the respective companies for six months period ended 30 April 2016 prior to the Reorganisation. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful.

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

6. INCOME TAX IN THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

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

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (ii) During the six months period ended 30 April 2017, GML Coach Technology Pte. Limited is subject to Singapore statutory income tax rate of 17% (2016:17%).
- (iii) During the six months period ended 30 April 2017, Gemilang Coachwork Sdn. Bhd. was subject to Malaysia statutory income tax rate of 24% (2016: 24%).

7. EARNINGS PER SHARE

	Six months ended 30 April	
	2017 (Unaudited) US\$'000	2016 (Audited) US\$'000
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted per share	267	908
Number of shares	Six months ended 30 April	
	2017	2016
Issued ordinary shares at 1 November	187,500,000	5
Effect of loan capitalisation	—	187,499,995
Effect of shares issued by global offering	59,046,961	—
Weighted average number of ordinary shares for the purpose of basic earnings per share	246,546,961	187,500,000
Effect of dilutive potential ordinary shares: Share options	85,574	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	246,632,535	187,500,000

Basic earnings per share

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

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

Diluted earnings per share

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

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

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

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

9. INTEREST IN AN ASSOCIATE

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

The followings are the particulars of an associate which is an unlisted corporate entity and whose quoted market price is not available:

Name of company	Place of incorporation and business	Class of shares held	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activity
				Group's effective interest	Held by subsidiaries	
Gemilang Australia Pty Ltd ("Gemilang Australia")	Australia	Registered	AUD 400	50%	50%	Provision of sales and marketing services of buses and coaches and the relevant after-sales services and supporting services

On 20 July 2016, the Group acquired 50% equity interest in Gemilang Australia at a consideration of AUD 200.

The investment in Gemilang Australia enhances the Group's market presence and provide a platform for quality after-sales services to customers in Australia and New Zealand.

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

10. TRADE AND OTHER RECEIVABLES

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

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

Ageing analysis of trade receivables

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

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

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

11. PLEDGED BANK DEPOSITS

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

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

12. TRADE AND OTHER PAYABLES

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

12. TRADE AND OTHER PAYABLES (continued)**Ageing analysis of trade payables**

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

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

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

13. BANK BORROWINGS

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

Bank borrowings are secured by:

- (i) Legal charges over freehold land and buildings of the Group;
- (ii) Deposits with licensed banks of the Group;
- (iii) Legal charge over a land held by a related company of the Group for the bank borrowings as at 30 April 2017 and 31 October 2016; and
- (iv) Joint and several guarantees given by directors of the Group.

14. SHARE CAPITAL

Ordinary Shares of HK\$0.01 each

Authorised:

	No. of shares	Amount US\$'000
At date of incorporation on 21 June 2016 (<i>note i</i>)	38,000,000	49
Increased during the year (<i>note ii</i>)	1,962,000,000	2,532
At 31 October 2016 and 30 April 2017	2,000,000,000	2,581

Issued and fully paid:

	No. of shares	Amount US\$'000
At date of incorporation on 21 June 2016 (<i>note i</i>)	1	—
Issuance of new shares upon Reorganisation (<i>note iii</i>)	4	—
Loan capitalisation (<i>note iv</i>)	187,499,995	242
At 31 October 2016	187,500,000	242
Issuance of new shares upon global offering (<i>note v</i>)	62,500,000	80
At 30 April 2017	250,000,000	322

Notes:

- (i) The Company was incorporated in the Cayman Islands on 21 June 2016 as an exempted company with an authorised share capital of HK\$380,000, divided into 38,000,000 shares of HK\$0.01 each. Upon incorporation, 1 share was allotted and issued.
- (ii) Pursuant to the written resolution passed by the shareholder of the Company, Gemilang International Investments Limited on 21 October 2016, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional 1,962,000,000 shares of HK\$0.01 each.
- (iii) On 20 October 2016, through the Reorganisation, the Company issued a total of 4 shares as consideration for acquisition of the entire issued share capital of Gemilang Coachwork Sdn. Bhd. and GML Coach Technology Pte. Limited.
- (iv) On 21 October 2016, the Company entered into a loan capitalisation agreement with its shareholder, pursuant to which the Company allotted and issued 187,499,995 shares, credited as fully paid to the shareholder by way of capitalisation of the loan in the amount of HK\$15,000,000 due from the Company to the shareholder.
- (v) On 11 November 2016, 62,500,000 ordinary shares of HK\$0.01 each of the Company were issued at a price of HK\$1.28 per share by global offering. On the same date, the Company's shares were listed on the Main Board of the Stock Exchange. The proceeds of HK\$625,000 (equivalent to approximately US\$80,000) (unaudited) representing the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of HK\$79,375,000 (equivalent to approximately US\$10,229,000) (unaudited), before issuing expenses, were credited to share premium account.

15. SHARE OPTION SCHEME

A share option scheme (the “**Scheme**”) was adopted by the Company on 21 October 2016 for the primary purpose of providing incentives to eligible participants which will expire on 20 October 2026. Under the Scheme, the board of directors of the Company may grant options to the eligible participants, including employees, advisors, consultants, service providers, agents, customers, partners or joint-venture partners of the Group, to subscribe for shares in the Company.

The maximum number of shares in respect of which options may be granted at any time under the Scheme together with options which may be granted under any other share option schemes for the time being of the Company must not in aggregate exceed 10% of the shares of the Company in issue of 250,000,000 shares as at the date of Listing (the “**Scheme Mandate Limit**”). The Company may seek approval of the 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 Scheme and any other schemes of the Company shall not exceed 10% of the shares of the Company in issue at the date of approval of refreshing of the Scheme Mandate Limit. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and other share option schemes of the Company shall not exceed 30% of the total number of shares of the Company in issued from time to time.

Options granted must be taken up within 21 days from the date of grant, upon payment of HK\$1.00. The subscription price is determined by the board of directors of the Company, and shall not be less than the highest of (i) the closing price of the Company’s shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the Company’s shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company’s shares on the date of grant.

A total of 5,000,000 share options were granted on 26 January 2017 under the Scheme and 4,828,000 share options remained outstanding as at 30 April 2017. The closing price of the shares of the Company of the date of grant of share options was HK\$1.74. The fair value of the options was approximately US\$379,000 which is calculated using Binomial Option Pricing Model based on following data:

Share price at grant date	1.74
Exercise price	1.764
Expected volatility	37.66%
Expected life	5 years
Risk-free rate	2.15%
Expected dividend yield	0%
Exercise multiple	
— directors and their respective associates	2.8x
— employees	2.2x

The variables and assumptions used in computing the fair value of the share options are based on the director’s best estimate. The value of an option varies with different variables of certain subjective assumptions. The Group recognised a share-based payment expense of approximately US\$379,000 during the six months ended 30 April 2017. In respect of each grantee, the share options shall be exercisable within 5 years from the grant date.

15. SHARE OPTION SCHEME (continued)

A summary of the movements of the numbers of share options under the scheme for the period is as follows:

Date of grant	Granted during the period	Lapsed during the period	Balance at 30 April 2017	Exercise price	Vesting date	Exercisable period
Granted to directors						
26 January 2017	750,000	—	750,000	HK\$1.764	Immediately vested	Within 5 years from grant date
Granted to employees						
26 January 2017	4,250,000	(172,000)	4,078,000	HK\$1.764	Immediately vested	Within 5 years from grant date
	<u>5,000,000</u>	<u>(172,000)</u>	<u>4,828,000</u>			

No share options were exercised during the period.

16. OPERATING LEASE 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 condensed consolidated statement of profit or loss and other comprehensive income during the period are disclosed in Note 4(c).

The future aggregate minimum lease rental expenses in respect of office premises and equipment under non-cancellable operating leases are as follows:

	At 30 April 2017 (Unaudited) US\$'000	At 31 October 2016 (Audited) US\$'000
No later than 1 year	299	243
After 1 year but within 5 years	129	181
	<u>428</u>	<u>424</u>

17. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in these financial statements, 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 six months periods ended 30 April 2017 and 2016 and as at 31 October 2016:

Name of party	Relationship with the Group
Gemilang Australia Pty Ltd.	A company that one of Controlling Shareholders has significant influence. It becomes an associate of the Group since 20 July 2016
SW Excel Tech Engineering Sdn. Bhd.	A company controlled by close family members of a director
P&P Excel Car Air-Conditioning Sdn. Bhd.	A company controlled by close family members of a director
P&P Excel Tech Engineering Sdn. Bhd.	A company controlled by close family members of a director
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, is as follows:

	Six months period ended 30 April	
	2017 (Unaudited) US\$'000	2016 (Audited) US\$'000
Short-term employee benefits	338	310
Post-employment benefits	65	25
	403	335

17. RELATED PARTY TRANSACTIONS (continued)**(b) Financing arrangements with related parties**

As at 30 April 2017, the Group has the following balances with related parties:

	Notes	At 30 April 2017 (Unaudited) US\$'000	At 31 October 2016 (Audited) US\$'000
Amounts due from/(to) related companies			
— SW Excel Tech Engineering Sdn. Bhd.	<i>(i), (ii)</i>	2	(22)
— P&P Excel Car Air-Conditioning Sdn. Bhd.	<i>(i), (ii)</i>	4	(4)
— P&P Excel Tech Engineering Sdn. Bhd.	<i>(i), (ii)</i>	(51)	(43)
— GML Technologies Sdn. Bhd.	<i>(i), (ii)</i>	—	(65)
		(45)	(134)
Amount due from/(to) an associate			
— Gemilang Australia Pty Ltd.	<i>(i), (ii)</i>	195	(611)

Notes:

- (i) The outstanding with these parties are unsecured, interest-free and repayable on demand.
- (ii) The outstanding balance is included in trade and other receivables (Note 10) and trade and other payables (Note 12).

17. RELATED PARTY TRANSACTIONS (continued)**(c) Other related party transactions**

- (i) During the six months periods ended 30 April 2017 and 2016, the Company entered into the following material related party transactions:

Continuing transactions

	Six months period ended 30 April	
	2017	2016
	(Unaudited)	(Audited)
	US\$'000	US\$'000
Sales of parts and services		
— Gemilang Australia Pty Ltd	54	58
Purchases of parts and services		
— P&P Excel Car Air-Conditioning Sdn. Bhd.	3	41
— P&P Excel Tech Engineering Sdn. Bhd	60	41
	63	82
Commission expenses		
— Gemilang Australia Pty Ltd	847	632

Non-continuing transactions

	Six months period ended 30 April	
	2017	2016
	(Unaudited)	(Audited)
	US\$'000	US\$'000
Purchases of parts and services		
— SW Excel Tech Engineering Sdn. Bhd.	—	91

- (ii) The directors of the Group have provided their personal guarantees to banks for the banking facilities granted to the Group during the six months period ended 30 April 2017 and 2016.
- (iii) For the period ended 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. Such pledged deposit had been released during the year ended 31 October 2016.

17. RELATED PARTY TRANSACTIONS (continued)**(c) Other related party transactions (continued)**

- (iv) A land held by a related party is pledged with a bank for the Group's borrowings as at 30 April 2017 and 31 October 2016.
- (v) At 31 October 2016, the Group had financial guarantees provided to related parties, details of which are set out in the Note 18 and the financial guarantees provided had been released during the period.

18. FINANCIAL GUARANTEES

As at 30 April 2017, the Group had the following financial guarantees:

	At 30 April 2017 (Unaudited) US\$'000	At 31 October 2016 (Audited) US\$'000
Guarantees given to banks in connection with facilities granted to:		
— Related companies		
GML Property Sdn. Bhd.	—	1,859
GML Technologies Sdn. Bhd.	—	1,362
	<u>—</u>	<u>3,221</u>
	At 30 April 2017 (Unaudited) US\$'000	At 31 October 2016 (Audited) US\$'000
Utilised to the extent of the following amounts by:		
— Related companies		
GML Property Sdn. Bhd.	—	1,859
GML Technologies Sdn. Bhd.	—	1,362
	<u>—</u>	<u>3,221</u>

As at 31 October 2016, the maximum liability of the Group under the guarantees issued represents the amount drawn down by the related parties. No deferred income in respect of these guarantees issued has been recognised as the directors of the Company consider that the fair value of the guarantees is not significant. Accordingly, these guarantees were not provided for in these financial statements as at 31 October 2016.

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

19. CONTINGENT LIABILITIES**(i) Performance bonds**

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

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

(ii) Financial guarantees

As at 31 October 2016, the Group has contingent liabilities regarding the financial guarantees issued. Details of which are disclosed in Note 18.