

Gemilang International Limited 彭順國際有限公司

(incorporated in the Cayman Islands with limited liability) Stock Code: 6163

Annual Report 2018

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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

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 (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

Rooms 1508-1513, Nan Fung Tower 88 Connaught Road Central Central Hong Kong

PRINCIPAL BANKERS

Malayan Banking Berhad

Level 14, Menara Maybank 100 Jalan Tun Perak, 50050 Kuala Lumpur Malavsia

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

PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Convers 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 Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square **Hutchins Drive** PO Box 2681. Grand Cayman KY1-1111, Cayman Islands

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

Website: http://www.gml.com.my Email: irgroup@gml.com.my Fax: (852) 3596 7834

CUSTOMER SERVICES

Tel: (852) 3596 7823 Fax: (852) 3596 7834 Email: info@gml.com.my

Financial Summary

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 October				
	2018 US\$'000	2017 US\$'000	2016 US\$'000	2015 US\$'000	2014 US\$'000
Revenue	57,091	50,354	48,690	41,070	34,329
Cost of sales	(44,959)	(37,422)	(36,062)	(31,868)	(27,317)
Gross profit	12,132	12,932	12,628	9,202	7,012
(Loss)/profit before taxation	(1,364)	2,107	3,649	5,362	3,366
Income tax expenses	(82)	(922)	(1,533)	(162)	(955)
(Loss)/profit for the year attributable to equity owners of the Company	(1,446)	1,185	2,116	5,200	2,411

CONDENSED CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 October				
	2018 US\$'000	2017 US\$'000	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>	2014 US\$'000
Total assets	46,966	44,711	39,530	23,393	28,874
Total liabilities	30,067	26,010	31,939	18,660	26,068
Total equity	16,899	18,701	7,591	4,733	2,806

Chairman's Statement



We believe we are well positioned and equipped with the technological capability to capture the market share in Asia.

Dear Shareholders,

On behalf of the board of directors (the "**Board**" or "**Directors**"), I am pleased to present the annual report of Gemilang International Limited (the "**Company**") together with its subsidiaries (collectively, the "**Group**") for the financial year ended 31 October 2018.

RESULTS

During the year ended 31 October 2018 (the "Year"), the Group achieved a revenue of approximately US\$57.09 million, representing a slight increase of approximately 13.4% from approximately US\$50.35 million in the financial year ended 31 October 2017. The increase in revenue was primarily due to the significant increase in the delivery of single and double deck buses to Singapore and Hong Kong, which was offset by decrease in delivery of buses to Malaysia during the Year compared to the year ended 31 October 2017. Loss for the year was approximately US\$1.45 million, which represents a decrease of approximately US\$2.64 million compared with the profit for the previous financial year of approximately US\$1.19 million. The loss for the Year is mainly attributable to the combination of the following factors: (1) a decrease in selling and distribution expenses during the year ended 31 October 2018 which was mainly attributable to the decrease in sales commission expenses of US\$1.11 million which was driven by the decrease in commission payable of approximately US\$0.88 million to Gemilang Australia Pty Limited, an associate of the Group, which acts as the marketing agent for the markets in Australia and New Zealand; (2) a significant increase in general and administrative expenses during the year ended 31 October 2018 which was mainly attributable to the increase in the impairment loss of approximately US\$2.72 million on accounts receivable due from a Malaysian customer as the recoverability of such receivables is expected to be remote (for further details, please refer to the section headed "Litigation" in this annual report); and (3) the decrease in gross profit margin for the Group's business as a result of the appreciation of Malaysian Ringgit against foreign currencies. Given the fact that the Group's revenue which were denominated in foreign currencies (currencies other than Malaysian Ringgit) outweighted the Group's cost of sales which were denominated in foreign currencies. Therefore the appreciation of Malaysian Ringgit would cause a drop in the Group's gross profit margin during the Year as compared to the corresponding year. The Group's results are discussed in detail under the section headed "Management Discussion and Analysis" in this annual report.

DIVIDENDS

The Board does not recommend the payment of any final dividend for the year ended 31 October 2018 (2017: HK\$0.03 per share).

OUTLOOK

The Group endeavor to continue to explore business opportunities in both our core and developing markets. In 2019, the Group expects to deliver 150 units double deck city buses to Singapore, one of our core markets. The Group also secured an order for double deck city buses aluminium body kits in Malaysia, to be delivered in the near future.

With the recent opening of the Hong Kong-Zhuhai-Macao Bridge ("**HZMB**"), the double deck city buses that were delivered by the Group were very well received by customers and passengers in the region. The customer placed an additional order of 40 units to be operational on HZMB by 31 October 2019.

Our efforts to expand our market footprints had been successful in the Middle East, in 2018, we secured a sales contract with a customer in Dubai. It is expected that we will deliver double deck city buses to Dubai in 2019.

Our vision is to become one of the leading bus manufacturing solution providers in Asia. We believe we are well positioned and equipped with the technological capability to capture the market share in Asia.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting (the "AGM") of the Company which will be held on Thursday, 28 March 2019, the register of members of the Company will be closed from Monday, 25 March 2019 to Thursday, 28 March 2019, both days inclusive, during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company's share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, 22 March 2019.

APPRECIATION

Going forward, the Group will continue to pursue opportunities to keep up with the evolving marketplace and optimise its corporate strategy of creating long-term value for stakeholders.

I would like to take this opportunity to extend my sincere gratitude to our shareholders, customers and business partners for their continuous support and trust, and thank my fellow directors for their concerted effort and insights through the past years. The growth of the business would not be attained without the efforts from the Group's management team and the unwavering commitment of our staff. Please allow me to express my sincere appreciation to our management team and staff for their dedication and commitment.

Phang Sun Wah

Chairman

25 January 2019

Management Discussion and Analysis

BUSINESS OVERVIEW

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, Uzbekistan and Indonesia. 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 Year, 100% of our revenue was derived from the sales of aluminium buses and bus bodies in the sales of bus bodies segment. The demand in aluminium bus and bus body will continue to experience a higher growth due to increasing demand to use materials that meets environmental standards. Aluminium will likely be the preferred material for buses, in particular electric buses, due to its lighter weight and the resulting better energy efficiency.

The Group delivered total 324 units of buses (CBUs*), 85 units of CKDs* and 85 units of SKDs* to our customers during the Year.

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

^{*} Notes:

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

Sales of bus bodies segment

Revenue from external customers

	For the year ended	For the year ended 31 October		
	2018 US\$'000	2017 US\$'000		
Malaysia (place of domicile)	149	7,500		
Singapore	24,873	18,073		
Hong Kong	7,872	4,134		
Australia	15,204	14,975		
People's Republic of China	335	713		
Uzbekistan	4,069	2,231		
Indonesia	1,451	_		
Others	311	155		
	54,264	47,781		

The sales of bus bodies and kits segment is our major source of income for our Group, with the sales of whole buses as the major product of our group contributing over 70% of revenue for both years. The revenue generated from this segment amounted to approximately US\$54.26 million during the Year, representing an increase of approximately US\$6.48 million or 13.6% as compared with approximately US\$47.78 million for the year ended 31 October 2017. The increase in revenue in this segment was attributable to the significant increase in delivery of whole buses to the Singapore and Hong Kong market, which offsets by decrease in delivery of whole buses to Malaysia during the Year as compared to the year ended 31 October 2017.

The increase in revenue from Singapore market was approximately US\$6.80 million or 37.6%, from approximately US\$18.07 million for the year ended 31 October 2017 to approximately US\$24.87 million for the Year. It was mainly due to the fact that the Company has delivered 130 units of single deck city buses and 86 units of double deck city buses to a customer in Singapore since the Company has secured a sales contract of a total of 250 units city buses (150 units of single deck buses and 100 units of double deck buses), out of which 216 units has been delivered during the Year. Whereas only 121 units of double deck city buses were delivered during the year ended 31 October 2017 in the Singapore market. The increase in number of buses delivery based on the secured contract causes a significant increase in revenue from the Singapore market.

Management Discussion and Analysis

The increase in revenue from Hong Kong market was approximately US\$3.74 million or 90.6%, from approximately US\$4.13 million for the year ended 31 October 2017 to approximately US\$7.87 million for the Year. It was mainly attributable to the increase in demand of buses in Hong Kong especially from HZMB. Upon completion of the HZMB during the Year, the demand for buses travelling on HZMB rises significantly in order to accommodate the huge number of visitors and business travellers who are taking the advantage of HZMB for shorter travelling time or as an alternative option for transportation.

The decrease in revenue from Malaysia market was approximately US\$7.35 million, from approximately US\$7.50 million for the year ended 31 October 2017 to approximately US\$0.15 million for the Year. It was mainly attributable to a decrease in market demand in connection with the city buses and coaches in the Malaysia market during the Year as compared to the year ended 31 October 2017.

Sales of parts and provision of relevant services segment

Rever	nue from
external	customers

	For the year ended 31 October		
	2018 <i>U</i> S\$'000	2017 <i>US\$'000</i>	
Malaysia (place of domicile)	131	231	
Singapore	1,912	1,436	
Hong Kong	349	347	
Australia	246	272	
People's Republic of China	25	120	
India	43	89	
Indonesia	81	_	
Others	40	78	
	2,827	2,573	

This 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 sales of parts and provision of relevant services segment amounted to approximately US\$2.83 million during the Year, representing an increase of approximately US\$0.26 million or 10.1% as compared with approximately US\$2.57 million for the year ended 31 October 2017.

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 increase in revenue from this segment during the Year was mainly contributed from the markets where we sold our whole buses to, particularly in Singapore, since the demand of sales of parts and related services was correlated with the number of buses sold to these places cumulatively. These places required a higher demand of spare parts replacement and after-sales service as more buses purchased from our Group accumulatively are running on the road.

OPERATING RESULTS AND FINANCIAL REVIEW

Revenue

Our revenue was principally generated from the assembly and sale of aluminium and steel buses and the manufacture of bus bodies. We generated revenue of approximately US\$50.35 million and US\$57.09 million for the financial years ended 31 October 2017 and 2018 respectively. The increase in revenue was primarily due to the significant increase in delivery of single and double deck buses to Singapore and Hong Kong, which was offset by decrease in delivery of buses to Malaysia during the Year compared to the year ended 31 October 2017.

By product category

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

	For the year ended 31 October			
	2018		20)17
	US\$'000	%	US\$'000	%
Bus (CBU*)				
- City Bus	46,932	82.2	37,238	74.0
- Coach	1,661	2.9	1,483	2.9
Bus Body CKD - City Bus	4,171	7.3	2,750	5.5
SKD - City Bus	1,500	2.6	6,310	12.5
Maintenance and aftersales service	2,827	5.0	2,573	5.1
Total	57,091	100.0	50,354	100.0

By product material category

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

	For tr	For the year ended 31 October			
	2018		2017		
	US\$'000	%	US\$'000	%	
Aluminium	54,264	95.0	46,809	93.0	
Steel			972	1.9	
Subtotal	54,264	95.0	47,781	94.9	
Maintenance and aftersales service	2,827	5.0	2,573	5.1	

57,091

with a veek anded 21 October

100.0

50,354

100.0

Gross profit

Total

Our gross profit was approximately US\$12.93 million and US\$12.13 million for years ended 31 October 2017 and 2018, respectively. Our gross profit margin was approximately 25.7% and 21.3% for financial years ended 31 October 2017 and 2018, respectively. The decrease in gross profit margin for the Group's business is a result of the appreciation of Malaysian Ringgit against foreign currencies. Given the fact that the Group's revenue which were denominated in foreign currencies (currencies other than Malaysian Ringgit) outweighted the Group's cost of sales which were denominated in foreign currencies. Therefore the appreciation of Malaysian Ringgit would cause a drop in the Group's gross profit margin during the Year as compared to the corresponding year.

Selling and distribution expenses

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

Our selling and distribution expenses decreased by approximately US\$1.11 million or 17.1% from approximately US\$6.50 million for the financial year ended 31 October 2017 to US\$5.39 million in the Year. Such decrease was driven by the decrease in commission payable of approximately US\$0.88 million to Gemilang Australia Pty Limited, an associate of the Group, which acts as the marketing agent for the markets in Australia and New Zealand. The decrease in commission expenses was mainly due to the lower commission expense per bus incurred during the Year as the majority of buses that the Company delivered are single deck buses, while double deck buses dominated in the Australian market for the year ended 31 October 2017. The commission expenses for a single deck bus is significant lower than that of a double deck bus and therefore the product mix in the Australian market causes the decrease in commission expenses during the Year.

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\$2.65 million or 56.7% from approximately US\$4.67 million for the financial year ended 31 October 2017 to US\$7.32 million in the Year. Such increase was mainly attributable to the combination of the following factors:

- (1) the impairment loss of approximately US\$2.72 million on accounts receivable due from a Malaysian customer as the recoverability of such receivables is expected to be remote (for further details, please refer to the section headed "Litigation" in this annual report);
- (2) a decrease in administrative expense was mainly attributed by a one-off share-based payment expenses of approximately US\$0.38 million relating to the share options granted and listing expense of approximately US\$0.56 million in relation to the global offering during the year ended 31 October 2017, as compared with the fact that no share option was granted and the absence of both share-based payment expenses and listing expense in relation to the global offering during the Year; and
- (3) an increase in administrative expense mainly relating to an increase in salary costs of approximately US\$0.60 million due to general salary and benefits increments for existing staff and increase in staff headcount.

Share of (loss)/profit of an associate

The share of loss from Gemilang Australia Pty Ltd ("Gemilang Australia") is US\$0.10 million during the year compare to a share of result of US\$0.49 million during the Year ended 31 October 2017. The decrease is mainly attributable to reason below.

Commission income from the Group is the main source of income of Gemilang Australia, as discussed in "Selling and distribution expenses" section in "Management Discussion and Analysis", there was a decrease in commission expense of approximately US\$0.88 million or 15.7% incurred during the Year payable to Gemilang Australia from US\$5.59 million to US\$4.71 million during the Year as compared to the year ended 31 October 2017. The decrease from its contribution was consistent with this fact. Moreover, the loss of associate was also attributable by the increase in wages and cost of material in Gemilang Australia.

Income tax expenses

There was a significant decrease in income tax expense of approximately US\$0.84 million or 91.3% from approximately US\$0.92 million during the year ended 31 October 2017 to approximately US\$0.08 million during the Year. The drop in income tax expense during the year was mainly as a result of decrease of earnings from operation as well as the increase in non-taxable income during the Year and the effect was partially offset by a decrease in reinvestment allowance incentive in Malaysia. Reinvestment allowance 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 and equipment as well as industrial buildings to be set off against the statutory business income for that assessment year.

Significant investments held

During the Year, there was no significant investments held by the Group.

Future plans for material investments and capital assets

The Group did not have other plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries and affiliated companies

During the Year, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Pledge of assets

As at 31 October 2018, pledged bank deposits of approximately US\$2.71 million (2017: US\$2.04 million) as disclosed in the 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:

	2018 <i>U</i> S\$'000	2017 <i>US\$'000</i>
Freehold land Buildings	1,838 4,427	1,817 4,478
	6,265	6,295

Contingent liabilities

As at 31 October 2018, the Group had the following contingent liabilities:

(i) Performance bonds

	2018 <i>U</i> S\$'000	2017 US\$'000
Performance bonds for contracts in favour of customers	7,144	5,140

The above performance bonds were given by banks in favour of some of the 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.

Capital commitments

As at 31 October 2018, the Group did not have any significant capital commitments.

PROSPECTS

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 general demand for electric buses is also expected to increase. We have currently established business relationships with customers in Hong Kong and several other cities in China. We have the intention to set up an office in China in the future to better serve our existing customers and further develop these markets. We may set up a manufacturing facility and commence operation in China when we consider there is sufficient demand and potential.

We plan to streamline and improve our production process in Malaysia

We will continue to upgrade and improve our production process by enhancing the automation of our existing manufacture facility by installing new automated machineries. This would further improve our production efficiency and hence increase our production output.

We will further enhance our strategic partnership with chassis principals

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

Management Discussion and Analysis

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

- 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 new markets.

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 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 as we expect more migration from steel buses to aluminium buses.

In Malaysia, we have been supporting our chassis principals in the tendering of projects. We plan to be more aggressive in promoting our aluminium bodied buses in other cities which currently use 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 other 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 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 our chassis principals in respect of product development will also place us in a better position to secure contracts in project tenders. 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.

EVENTS AFTER THE REPORTING PERIOD

In December 2018, 順鋁(上海)汽車科技有限公司, an indirect wholly-owned subsidiary of the Company, entered into a joint venture agreement with, Celestial Glow Limited, an investment holding company, and 上海北斗新能源有限公司 ("Beidou"), all being independent third parties, pursuant to which the parties to the said joint venture agreement agreed to establish a joint venture company in Shanghai, the PRC. 順鋁(上海)汽車科技有限公司, Beidou and Celestial Glow Limited would be expected to own 40%, 40% and 20% of the equity interest respectively in the joint venture company. The capital commitment required from 順鋁(上海)汽車科技有限公司 is RMB1.2 million according to the joint venture agreement.

Beidou is a company established in the PRC with limited liability and is principally engaged in research and development of high technology solution and promotion of clean energy solution vehicles. The Directors expect that the joint venture company will act as the Company's marketing arm in China and they consider that, with the aid of the network of Beidou and its expertise in electric vehicles, the Company can broaden its customer base in China and gain greater exposure to new business opportunities.

Save as disclosed in this section, there is no other material subsequent event undertaken by the Company or by the Group after 31 October 2018 and up to the date of this report.

FOREIGN CURRENCY RISK

The Group undertakes certain transactions denominated in foreign currencies, mainly in US 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.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 October 2018, the aggregate sum of the Group's bank balances and cash net of bank overdrafts, and short-term pledged bank deposits amounted to approximately US\$4.36 million, representing a decrease of approximately US\$2.16 million compared with as at 31 October 2017 of approximately US\$2.2 million. The net current assets and total equity of the Group were approximately US\$8.13 million (2017: approximately US\$10.26 million) and approximately US\$16.90 million (2017: approximately US\$18.70 million). As at 31 October 2018, the Group's bank borrowings and bank overdrafts amounted to approximately US\$12.25 million (2017: approximately US\$9.88 million).

As at 31 October 2018, the Group's gearing ratio, which is computed based on dividing the total outstanding indebtedness by the total equity, was approximately 48.3% (2017: 39.1%).

Management Discussion and Analysis

The Group monitors capital using, inter alias, 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 calculations of gearing ratio as at 31 October 2018 and 2017 are as follows:

	2018 <i>U</i> S\$'000	2017 <i>US\$'000</i>
Obligations under finance leases Bank borrowings Bank overdrafts	147 9,651 2,602	216 7,259 2,619
	12,400	10,094
Less: Cash and bank balances	4,246	2,781
Net debt	8,154	7,313
Total equity	16,899	18,701
Net debt-to-equity ratio	48.3%	39.1%

CAPITAL STRUCTURE

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 in the Year.

The Board reviews the capital structure on a regular basis. As part of the review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendation of the management, the Group will balance its overall capital structure through the payment or non-payment of dividends as well as issue of new debt or the redemption of the debt.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 October 2018, the total number of full-time employees of the Group was approximately 304 (2017: 287). The Group recruits, employs, remunerates and promotes its employees based on their qualifications, experience, skills, performance and contributions. Remuneration is offered with reference to market rates. Salary and/or promotion review is conducted upon performance appraisal by management on a regular basis. Discretionary year-end bonus and share options, if applicable, are granted to eligible employees, in accordance with the Group's performance and individual's contribution. Ample in-house orientation and on-the-job training are arranged for the employees all year around. Employees are always encouraged to attend job-related seminars, courses and programs organised by professional or educational institutions, in Malaysia, Hong Kong or other jurisdiction.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the Code Provisions (the "Code Provisions") as set out in the Corporate Governance Code (the "CG Code") in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the year ended 31 October 2018, the Company has complied with the Code Provisions as set out in the CG Code.

The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance with the CG Code and align with the latest developments.

LITIGATION

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

In August 2018, the case was heard in the High Court of Malaya at Johor Bahru and Gemilang Coachwork successfully obtained a summary judgment against the Defendants. Subsequently, a winding up petition dated 30 October 2018 was filed in the High Court of Malaya and has been served on the Defendants on 15 November 2018. The winding up petition served on the Defendant 1 was subsequently dismissed on 2 January 2019 as Defendant 1 was already wound up in July 2018 by a third party. Defendant 2 had filed an originating summons for judicial management in the High Court of Malaya at Shah Alam and the hearing of the said originating summons was held on 24 January 2019. The Group is awaiting update about the hearing result and will consider options available and next step.

Management Discussion and Analysis

Despite of the fact that several attempts were made to recover the outstanding amount from the Defendants, in October and November 2018, Gemilang Coachwork filed and served a winding-up petition on the Defendants, respectively. As at the date of this annual report, the Company has not reached a settlement agreement with the Defendants for the settlement of the aforesaid sum. Based on the assessment of the latest available financial information of the Defendants, communications with the Defendants and other information available to the Board (including such information as stated above), as the recoverability of such receivables is expected to be remote, the Company has made provision for such outstanding amount for the year ended 31 October 2018. The Company will provide further information as and when appropriate in accordance with the Listing Rules.

USE OF PROCEEDS

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.

Uses of net proceeds	Planned amount as stated in the Prospectus ⁽¹⁾ US\$ million	Actual amount utilised up to 31 October 2018 US\$ million	Actual balance as at 31 October 2018 US\$ million
Construction of the new facility in Senai, Malaysia	4.70	(3.70)	1.00
Upgrading and acquiring machines	0.89	(0.35)	0.54
Repayment of bank loans	2.39	(2.39)	_
Working capital	0.79	(0.79)	
Total	8.77	(7.23)	1.54

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 utilisation 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 unutilised portion of the net proceeds were deposited in our banks in Hong Kong and Malaysia and is intended to be utilised in the manner consistent with the proposed allocation as set forth in the Prospectus.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Phang Sun Wah. (彭新華), aged 69, is the co-founder of our Group and has been our chairman and the executive Director since 21 June 2016. He is also the director of various subsidiaries of the Company, he is primarily responsible for overall strategic planning and overall management of our Group. Mr. Phang Sun Wah has over 40 years of experience in the areas of assembly of wooden and steel buses and coaches. He worked as a general worker of Soon Heng Lorry Body Work and was responsible for manufacturing lorry bodies and was a partner to Sun Soon Heng Coachwork, which engaged in fabrication of coachwork.

Mr. Phang Sun Wah is the father of Ms. Phang Huey Shyan (an executive Director) and Mr. Phang Jyh Siong (a member of senior management of the Group). He is also the cousin of Mr. Pang Chong Yong (an executive Director).

Mr. Pang Chong Yong (彭中庸), aged 59, is the co-founder of our Group and has been the chief executive officer and the executive Director since 21 June 2016. He is also the director of various subsidiaries of the Company, he is primarily responsible for formulating overall corporate strategies and policies of our Group, general management and day-to-day operation of our Group. He worked as an airconditioning technician and was a partner to Hotoh Bus & Car Air Conditioning, which engaged in installation of car accessories and provision of after-sales services. Mr. Pang had over 10 years of experience in the installation of cars accessories and provision of after-sales services and over 25 years in bus assembly and bus body manufacturing.

Mr. Pang Chong Yong is the cousin of Mr. Phang Sun Wah (an executive Director). He is also the uncle of Ms. Phang Huey Shyan (an executive Director) and Mr. Phang Jyh Siong (a member of senior management of the Group).

Ms. Phang Huey Shyan (彭慧嫻), aged 36, has been our executive Director since 21 June 2016 and subsequently became our chief corporate officer. She is also the director/officer of various subsidiaries of the Company, Ms. Phang is primarily responsible for the corporate, accounting and finance matters of the Group in addition to assisting the management on operational matters on a need to need basis. She has approximately six years of experience in accounting and finance. Prior to joining our Group, from January 2007 to April 2008, Ms. 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. Phang graduated from the Deakin University, Australia, with a Bachelor of Commerce majoring in Accounting and Finance in October 2005.

Ms. Phang is the daughter of Mr. Phang Sun Wah (an executive Director) and sister of Mr. Phang Jyh Siong (a member of senior management of the Group). She is the niece of Mr. Pang Chong Yong (an executive Director).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Lee Kit Ying (李潔英), aged 70, 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 obtained a bachelor's degree from City of London Polytechnic, U.K. (now known as London Metropolitan University) in 1979 majoring in accountancy and a master's degree from City University of Hong Kong in 1998 majoring in Financial Engineering. Ms. Lee is a senior fellow of the Institute of Chartered Accountants in England and Wales. She previously held a number of senior positions in Hong Kong Futures Exchange, the Stock Exchange and Hong Kong Exchanges and Clearing Limited. Ms. Lee has over 20 years' experience in derivative products and the operation, supervision and risk management of securities markets.

Currently, Ms. Lee is the chairman of Virtus Foundation Limited. Ms. Lee is also 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 Century Global Commodities Corporation (Stock Code: CNT) (a company listed on Toronto Stock Exchange, Canada).

Ms. Wong Hiu Ping (黃曉萍), aged 47, 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. During the period from June 2014 to May 2018, Ms. Wong worked 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. Kwok Yuen Shan Rosetta (郭婉珊), aged 41, 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.

Mr. Huan Yean San, aged 42, 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.

SENIOR MANAGEMENT

Mr. Phang Jyh Siong (彭志祥), aged 40, 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. 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 Sdn. Bhd., a subsidiary of the Group located in Malaysia, 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.

Mr. Phang graduated from National University of Singapore with a Bachelor degree in Engineering (Mechanical) in July 2001.

Mr. Phang is the son of Mr. Phang Sun Wah (an executive Director); brother of Ms. Phang Huey Shyan (an executive Director); nephew of Mr. Pang Chong Yong (an executive Director).

COMPANY SECRETARY

Mr. Yeung Chin Wai (楊展瑋), aged 32, joined our Group as a financial controller in 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 audit 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.

Report of the Directors

The Directors are pleased to present their annual report and the audited consolidated financial statements of the Group for the financial year ended 31 October 2018.

INITIAL PUBLIC OFFERING

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 21 June 2016. The Company listed its shares ("Shares") on the Main Board of the Stock Exchange on 11 November 2016.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 14 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the Year.

Pursuant to Schedule 5, Contents of Directors' Report: Business Review to the Companies Ordinance, a directors' report must contain a business review of the Group including:

- (a) a fair review of the business:
- (b) a discussion of the principal risks and uncertainties facing the Group;
- (c) particulars of important events affecting the Group that have occurred since the end of the financial year; and
- (d) an indication of likely future development in the Group's business;

and the business review must also include:

- (a) an analysis using financial key performance indicators;
- (b) a discussion on the Group's environmental policies and performance; and the Group's compliance with the relevant laws and regulations that have a significant impact on the Group; and
- (c) an account of the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends.

Part of further discussion and analysis as required by Schedule 5 to the Company Ordinance are set out in the "Chairman's Statement", "Management Discussion and Analysis", "Corporate Governance Report" and "Notes to the Consolidated Financial Statements" sections of this annual report. The above sections form part of the Directors' Report. In addition, details of the Group's financial risk management are disclosed in note 28 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the financial year ended 31 October 2018 and the Group's financial position at that date are set out in the financial statements on pages 72 to 74.

The Board does not recommend the payment of any final dividend for the year ended 31 October 2018 (2017: HK\$0.03 per share).

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 4 of the annual report. This summary does not form part of the audited consolidated financial statements.

DIVIDEND POLICY

The Company has adopted a dividend policy ("Dividend Policy"), pursuant to which the Company may declare and distribute dividends to the shareholders of the Company (the "Shareholders") to allow Shareholders to share the Company's profits and for the Company to retain adequate reserves for future growth.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders. In proposing any dividend payout, the Board shall also take into account, inter alia, the Group's financial results, the general financial condition of the Group, the Group's current and future operations, the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants, liquidity position and capital requirement of the Group, surplus received from the Company's subsidiaries and any other factors that the Board deem appropriate. The Company's ability to pay dividends is also subject to the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and all relevant applicable laws, rules and regulations in the Cayman Islands, Hong Kong and the Memorandum and Articles of Association of the Company.

The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

SHARE CAPITAL

Details of movements in the Company's share capital during the Year are set out in note 27 to the financial statements.

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.

Report of the Directors

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
Directors		
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
Employees		
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

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 balance of 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 Share Option 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 at note 3 to the financial statements.

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 3,428,000 Share Options remained outstanding as at 31 October 2018 with 144,000 Share Options have been lapsed and 936,000 Share Options have been exercised during the Year.

The table showing movements in the Company's share options held by the directors and the employees of the Company in aggregate granted under the Share Option Scheme of the Company during the Year is disclosed at note 25 to the financial statements:

For details of the Share Option Scheme, please refer to the section headed "Statutory and General Information – E. Share Option Scheme" in Appendix VI to the Prospectus.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's memorandum and articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE **COMPANY**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Year.

DISTRIBUTABLE RESERVES

As at 31 October 2018, the Company's reserves available for distribution, calculated in accordance with the provisions of Companies Law of the Cayman Islands, amounted to approximately US\$16,575,000.

CHARITABLE CONTRIBUTIONS

During the Year, the Group had made approximately US\$70,500 charitable and/or other donations.

MAJOR CUSTOMERS AND SUPPLIERS

The turnover attributable to the five largest customers of the Group accounted for approximately 85.5% of the Group's total turnover for the Year and turnover from the largest customer included therein amounted to 44.0%.

Purchases from the Group's five largest suppliers accounted for 39.4% of the Group's total purchases for the Year and purchases from the largest supplier included therein amounted to 20.8%.

None of the Directors of the Company or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's number of issued shares) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The Directors of the Company during the Year and up to the date of this report were:

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

According to Article 84(1) of the Company's articles of association, Mr. Huan Yean San, Ms. Kwok Yuen Shan Rosetta and Mr. Phang Sun Wah shall retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the annual general meeting.

The Company has received written annual confirmations of independence from Ms. Lee Kit Ying, Ms. Wong Hiu Ping, Ms. Kwok Yuen Shan Rosetta and Mr. Huan Yean San, all being independent non-executive Directors, and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Company are set out on pages 21 to 24 of the annual report.

DIRECTORS' SERVICE CONTRACTS

The Directors have entered into service agreements or letters of appointment with the Company for a term of three years and to continue thereafter until terminated by a three months' notice in writing served by either party on the other, the details are as follows:

Name of Directors	Date of Commencement	
Mr. Phang Sun Wah	11 November 2016	
Mr. Pang Chong Yong	11 November 2016	
Ms. Phang Huey Shyan	11 November 2016	
Ms. Lee Kit Ying	11 November 2016	
Ms. Wong Hiu Ping	11 November 2016	
Ms. Kwok Yuen Shan Rosetta	11 November 2016	
Mr. Huan Yean San	11 November 2016	

Each of the Directors shall also be entitled to a bonus for each financial year of the Company which is at the discretion of the Board and determined by reference to performance of each Director concerned and the Group's performance for the financial year concerned and based on the recommendation from the remuneration committee of our Company.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Their emoluments are determined by the Company's Board with reference to directors' duties, responsibilities and performance and the results of the Group.

Details of the remuneration of the Directors of the Company for the financial year ended 31 October 2018 are set out in note 8 to the financial statements.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Year. The Company has taken out and maintained directors' liability insurance that provides appropriate cover for the Directors.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Saved as disclosed in this annual report, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding companies of the Company, or any of the Company's subsidiaries was a party during the financial year ended 31 October 2018.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 October 2018, none of the Directors of the Company are considered to be interested in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

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

At as 31 October 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, as set out in Appendix 10 to the Listing Rules 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⁾⁽⁶⁾	Approximate percentage of issued share capital
Mr. Phang Sun Wah	Interest in a controlled corporation(2)	82,078,125 (L)	32.69%
	Interest held jointly with Mr. Pang Chong Yong ⁽⁴⁾	82,328,125 (L)	32.79%
	Beneficial Interest ⁽⁶⁾	270,000 (L)	0.11%
	Interest of spouse ⁽⁵⁾	120,000 (L)	0.05%
Mr. Pang Chong Yong	Interest in a controlled corporation(3)	82,078,125 (L)	32.69%
	Interest held jointly with Mr. Phang Sun Wah(4)	82,468,125 (L)	32.85%
	Beneficial Interest ⁽⁶⁾	250,000 (L)	0.10%
Ms. Phang Huey Shyan	Beneficial Interest ⁽⁶⁾	260,000 (L)	0.10%

- (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 32.69% 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 32.69% 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 65.63% 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 120,000 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 31 October 2018, 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) which was required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which was required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed herein, at no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding companies, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

Save as disclosed in the section headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY", as at 31 October 2018, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to 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)	32.69%
Golden Castle Investments Limited	Beneficial owner	82,078,125 (L)	32.69%
Ms. Chew Shi Moi	Interest of spouse ⁽²⁾⁽³⁾ Beneficial owner	164,676,250 (L) 120,000 (L)	65.59% 0.05%
Ms. Low Poh Teng	Interest of spouse ⁽²⁾⁽⁴⁾	164,796,250 (L)	65.63%

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

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 65.63% of the entire issued share capital of the Company.

Report of the Directors

- (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 above, as at 31 October 2018, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

CONNECTED TRANSACTION

The Company had no connected transaction conducted during the financial year ended 31 October 2018.

RELATED PARTY TRANSACTIONS

Related party transactions of the Group during the Year are disclosed in note 30 to the financial statements. They did not constitute connected transactions or continuing connected transaction, which are required to comply with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year and up to the date of this annual report.

CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, at no time during the Year had the Company or any of its subsidiaries entered into any contract of significance with the controlling shareholder or any of its subsidiaries, nor had any contract of significance been entered into for the services provided by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

DEED OF NON-COMPETITION UNDERTAKING

Each of the controlling shareholders has confirmed to the Company of his/its compliance with the non-competition undertakings provided to the Company under a deed of non-competition dated 21 June 2016 during the year ended 31 October 2018. The independent non-executive directors of the Company have reviewed the status of compliance and confirmed that all the undertakings under the deed of non-competition have been complied with by the controlling shareholders and duly enforced during the year ended 31 October 2018.

For details of the Non-Competition Deed, please refer to the section headed "Relationship with the Controlling Shareholders - Deed of Non-Competition" in the Prospectus. The Company has received confirmations from the Controlling Shareholders confirming their compliance with the Non-Competition Deed for disclosure in this annual report for the period from the Listing Date to the date of this report. The independent non-executive Directors have also reviewed the compliance and enforcement status of the Non-Competition Deed, and are of the view that the Controlling Shareholders have abided by the undertakings contained in the Non-Competition Deed for the period from 11 November 2016 to the date of this report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As an experienced and leading bus and bus body builder, we have a strong corporate responsibility to protect the environment as our business requires the utilisation of the natural resources and metals (aluminium) from the planet. To balance our business demands and environmental preservation, we are committed to comply all applicable environmental laws and regulations throughout our operations, we are dedicated to minimise the greenhouse gas emission and air pollutants emissions from the manufacture processes and vehicles production. In order to reduce the adverse impacts to the environment regarding to the waste and effluent generation, proper control and mitigation measures are implemented before waste disposal and wastewater discharge. By the adaptation of green procurement policy, green office practices and 4R principles - "Reduce, reuse, recycle and recovery", the resources and energy consumption become more efficient and wastage is minimised so as to conserve the natural resources. We confirm that there is no non-compliance with the applicable environmental laws and regulations in ESG during the reporting period from 1 November 2017 to 31 October 2018.

We will continually review the suitability of the environmental practices and search for the environmental-friendly and innovative approaches in order to further improve our environmental performance.

For more details, please refer to the "Environmental, Social and Governance Report" section.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group has adopted internal control measures to monitor the continuous compliance with relevant laws and regulations such as the Companies Law of the Cayman Islands, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the SFO, the Listing Rules and other rules and regulations implemented in relevant jurisdictions. During the Year, as far as the Board is concerned, the Group has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the financial year ended 31 October 2018. 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.

The Group continues to commit to comply with the relevant laws and regulations.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS AND OTHER STAKEHOLDERS

It is significant to maintain a harmonious relationship with our employees, customers and suppliers as this helps to foster the excellence of sustainable development:

Employees: We recognise employees are our most valuable asset. To retain high quality employees and talents, we not only offer a reasonable remuneration and benefits package and treat fairly to all employees, but also a potential career path to encourage our employees to pursue their professionalism and personal goals. Likewise, being a responsible corporation, providing a safe workplace to our employees is our fundamental responsibility. We offer Occupational, Health and Safety (OHS) training to raise the safety and health awareness of our employees in order to foster a safety culture and minimise the occupational hazards, accidents and injuries. We also strive to promote a motivating and supportive culture in our offices and factory, with recreational activities organised for employees to enjoy the leisure time with colleagues to strengthen their bonding. Besides, to protect our customer confidential information and prevent wrong doings, a code of conduct is communicated with all employees to ensure they understand their obligations. Moreover, training on the customer information handling is given to all staff and whistle-blowing system is established to encourage employees to report any violation within the company.

Customers: We provide high quality, reliable and safe products to maintain our long standing business relationship with our clients. In-house quality assurance tests and inspections are carried out for all products and they are validated by competent persons before sales to ensure all our products are in compliance with the national regulations and standards. Besides, after-sale maintenance service is offered and a complaint handling system is set up to respond and solve the issues raised by our customers. Our "Customer-first" philosophy together with the above feedbacks have become key driving forces to continually improve our product standard and quality through root cause analysis to avoid the reoccurrence of the complained issue(s). To protect customer data privacy and intellectual property, we strictly follow the requirements of relevant laws and regulations and only allow those authorised persons to handle the customers' confidential information.

Suppliers: We understand that successful operations can only be achieved through conducting our business with highest integrity. Any form of fraud, bribery, extortion and corruption are strictly prohibited in our business under our anti-corruption policy, and require all the suppliers to strictly follow. We established a comprehensive supplier management system to select and manage the suppliers, in order to comply with the relevant environmental and safety legislations and regulations, and to minimise the negative impacts to the environment and the community in our supply chain. To uphold the importance of customer data privacy and intellectual property rights, all suppliers are required to perform and follow the relevant laws and regulations to protect the intellectual property rights and data confidentiality.

For more details, please refer to the "Environmental, Social and Governance Report" section.

SUFFICIENCY OF PUBLIC FLOAT

Rule 8.08 of the Listing Rules requires issuers to maintain at least 25% of their total number of issued shares to be held by the public at all times. Based on information that is publicly available to the Company and within knowledge of Directors, as at the latest practicable date prior to the issue of this annual report, more than 25% of the issued shares of the Company was held by the public.

AUDITORS

Crowe (HK) CPA Limited ("Crowe") retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the board **Phang Sun Wah**Chairman

25 January 2019

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

Preserving the highest levels of corporate governance and business ethics is one of the Group's major objectives. The Group trusts that conducting business in an ethical and reliable way will maximise its long term interests and those of its stakeholders. The principles of corporate governance adopted by the Company emphasise a quality board, sound internal controls and accountability to shareholders and these are based upon a long-established ethical corporate culture.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules on terms no less exacting than the required standard set out in the Model Code as its code of conduct regarding securities transactions by Directors.

Having made specific enquiry of all directors, they confirmed that they had complied with the required standard set out in the Model Code regarding securities transactions by Directors throughout the year ended 31 October 2018.

The Company has also established written guidelines no less exacting than the Model Code (the "**Employees Written Guidelines**") for securities transactions by employees who are likely to be in possession of inside information of the Company.

No incident of non-compliance with the Employees Written Guidelines by the employees was noted by the Company during the Year.

THE BOARD OF DIRECTORS

The overall management of the Group's business is vested in the Board. Key responsibilities of the Board include the formulation of the Group's overall strategies and policies, the setting of performance targets, the evaluation of business performance and the oversight of management.

As at 31 October 2018 and up to the date of this report, the Board comprised 7 Directors, including 3 executive Directors and 4 independent non-executive Directors. The list of all Directors are set out below:

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

In accordance with the Company's articles of association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed by the Board to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the next following general meeting after appointment.

Independent non-executive Directors are appointed for a term of three years. For a Director to be considered independent, the Board must determine the Director does not have any direct or indirect material relationship with the Group. In determining the independence of the Directors, the Board follows the requirements set out in the Listing Rules.

Biographical details and the relationships among the members of the Board are disclosed under "Biographical Details of Directors and Senior Management" on pages 21 to 24.

Chairman and Chief Executive Officer

The Company fully supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority.

The positions of the Chairman and Chief Executive Officer were held by Mr. Phang Sun Wah and Mr. Pang Chong Yong, respectively. Their respective responsibilities are clearly defined and set out in writing.

The Chairman is responsible for providing leadership to, and overseeing the functioning of the Board to ensure that the Board acts in the best interests of the Group and Board meetings are planned and conducted effectively. The Chairman is primarily responsible for approving the agenda for each Board meeting, taking into account, where appropriate, matters proposed by other Directors for inclusion in the agenda. With the support of the Company Secretary and other senior management, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner. The Chairman also actively encourages Directors to fully engage in the Board's affairs and make contribution to the Board's functions.

The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organisational structure, control systems and internal procedures and processes for the Board's approval.

Independent Non-Executive Directors

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed four independent non-executive Directors, representing more than one-third of the Board. At least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. Accordingly, the Company considers all independent non-executive Directors to be independent.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Board is scheduled to meet for at least four times a year. Between scheduled meetings, senior management of the Group provides the Directors with information on a timely basis on the activities and development in the businesses of the Group and when required, additional Board meetings are held.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the Company Secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors should disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Board reserves its decision on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

BOARD COMMITTEES

As an integral part of good corporate governance practices, the Board had established three committees namely, the audit committee, remuneration committee and nomination committee, for overseeing particular aspects of the Group's affairs. Each of these committees comprises mostly independent non-executive Directors who have been invited to serve as members. These committees are governed by the respective terms of reference approved by the Board. The terms of reference of these committees are posted on the websites of the Company and the Stock Exchange and available to shareholders upon request.

Audit Committee

The audit committee consists of three independent non-executive Directors with Mr. Huan Yean San as the chairman. Other members are Ms. Kwok Yuen Shan Rosetta and Ms. Wong Hiu Ping. At the discretion of the audit committee, executive Directors and/or senior management personnel overseeing the Group's finance may be invited to attend meetings. The audit committee normally meets two times a year. The audit committee also meets the external auditors twice without the presence of the executive Directors. The duties of the audit committee include, among other things, reviewing and monitoring the financial and internal control aspects, risk management system, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The audit committee reviews the truth and fairness of the Group's interim and annual financial statements, discusses with the external auditors the nature and scope of audit before the audit commences as well as the findings and recommendations raised by the auditors during and after completion of the audit. The audit committee conducts an assessment, at least annually, of the effectiveness of the Group's internal controls and financial controls system, risk management system, scope of work and appointment of external auditors and arrangements for employees to raise concerns about possible improprieties. This allows the Board to monitor the Group's overall financial position and to protect its assets. The chairman of the audit committee summarises activities of the audit committee, highlights issues arising therefrom, and provides recommendations for reporting to the Board after each meeting.

Attendance record of meetings during the Year is set out on page 45.

The Audit Committee performed the following work during the year ended 31 October 2018:

- (a) reviewed the Group's annual audited financial statements for the year ended 31 October 2018, and reviewed the unaudited interim financial statements for the six months ended 30 April 2018 including the accounting principles and accounting standards adopted with recommendations made to the Board for approval;
- (b) reviewed the changes in accounting standards and assessed their potential impacts on the Group's financial statements;
- (c) reviewed the Group's internal control system and related matters; and
- (d) considered and made recommendations on the re-appointment of the independent auditor of the Group, and the terms of engagement.

Nomination Committee

The nomination committee consists of one executive Director and two independent non-executive Directors with Mr. Phang Sun Wah, executive Director, as the chairman. Other members are Ms. Kwok Yuen Shan Rosetta and Ms. Wong Hiu Ping, being independent non-executive Directors.

The nomination committee schedules to hold at least one meeting a year. The principal duties of the nomination committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

Corporate Governance Report

In assessing the Board composition, the nomination committee would take into account various aspects set out in the board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The nomination committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the nomination committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve board diversity, where appropriate, before making recommendation to the Board.

Attendance record of meeting during the Year is set out on page 45.

The main works performed by nomination committee during the year ended 31 October 2018 included reviewing the structure and composition (including the skills, knowledge and experience) of the Board as well as reviewing board diversity policy and recommending the same to the Board for approval.

The nomination committee considered that an appropriate balance of diversity perspectives of the Board is maintained.

Remuneration Committee

The remuneration committee consists of one executive Director and two independent non-executive Directors with Ms. Kwok Yuen Shan Rosetta, independent non-executive Director, as the chairman. Other members are Ms. Wong Hiu Ping, independent non-executive Director, and Mr. Pang Chong Yong, an executive Director. At the discretion of the remuneration committee, executive Directors and/or senior management personnel overseeing the Group's human resources function may be invited to attend meetings.

The primary objectives of the remuneration committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive Directors and the senior management.

The remuneration committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration. Remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The remuneration committee schedules to hold at least one meeting a year for reviewing the remuneration policy and structure of the Company and determination of the annual remuneration packages of the executive Directors and the senior management and other related matters. The human resources department is responsible for collection and administration of the human resources data and making recommendations to the remuneration committee for consideration. The remuneration committee shall consult with the Chairman and/or the Chief Executive Officer of the Company about these recommendations on remuneration policy and structure of the Company and remuneration packages.

Attendance record of meetings during the Year is set out on page 45.

The main works performed by remuneration committee during the year ended 31 October 2018 included reviewing the remuneration packages of the executive Directors, independent non-executive Directors and senior management for the year ended 31 October 2018.

Details of the remuneration of each Director and 5 highest paid employees for the financial year ended 31 October 2018 are set out in notes 8 and 9 to the financial statements, respectively. For the financial year ended 31 October 2018. The remunerations of the members of the senior management team who are not executive Directors are within the following bands:

	Number of
Band of Remuneration (HK\$)	Persons
HK\$1,000,001 to HK\$1,500,000	2

Corporate Governance

The Board is also responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Employee Written Guidelines, and the Company's compliance with the CG Code and disclosure in this report.

Attendance Record of Directors and Committee Members

The following table summarises the attendance record of individual directors and committee members for the Year:

_	No. of meeting attended/No. of meeting held				
	Board	Audit Committee	Nomination Committee	Remuneration Committee	2018 AGM
Number of meetings held	4	2	1	1	1
Executive Directors:					
Phang Sun Wah	4/4	_	1/1	_	1/1
Pang Chong Yong	4/4	_	_	1/1	1/1
Phang Huey Shyan	4/4	_	-	-	1/1
Independent Non-Executive Directors:					
Lee Kit Ying	4/4	_	_	_	1/1
Wong Hiu Ping	4/4	2/2	1/1	1/1	1/1
Kwok Yuen Shan Rosetta	4/4	2/2	1/1	1/1	1/1
Huan Yean San	4/4	2/2	-	_	1/1

BOARD DIVERSITY POLICY

The Company has a Board Diversity Policy whereby it recognizes and embraces the benefits of a diversity of Board members. It endeavors to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge.

During the Year and as at the date of this annual report, the Board comprises seven Directors, four of which are female. The following tables further illustrate the diversity of the Board members as of the date of this annual report:

		Age Group			
Name of Director	30 to 39	40 to 49	50 to 59	Above 60	
Phang Sun Wah				✓	
Pang Chong Yong			✓		
Phang Huey Shyan Lee Kit Ying	✓			ſ	
Wong Hiu Ping		✓		•	
Kwok Yuen Shan Rosetta		✓			
Huan Yean San		/			
		Professional Experience			
	Manufacture			Regulatory and	
Name of Director	of buses	Law	and Finance	compliance	
Phang Sun Wah	✓				
Pang Chong Yong	✓				
Phang Huey Shyan Lee Kit Ying			✓	,	
Wong Hiu Ping			/	V	
Kwok Yuen Shan Rosetta		✓			
Huan Yean San			✓		

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS AND **COMPANY SECRETARY**

Directors keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

Under code provision A.6.5 of the CG Code, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Directors are encouraged to participate in continuous professional development so as to refresh their knowledge and skills for discharging their duties and responsibilities. For the year ended 31 October 2018, relevant reading materials including regulatory update and seminar handouts, etc. have been provided to the Directors for their reference and studying.

A summary of training taken by the Directors during the Year is set out as follows:

Training activities including in-house activities/briefings, seminars/talks held by professional organisations and/or reading materials on relevant topics

Executive Directors:

Phang Sun Wah	✓
Pang Chong Yong	\checkmark
Phang Huey Shyan	✓

Independent Non-Executive Directors:

Lee Kit Ying	✓
Wong Hiu Ping	✓
Kwok Yuen Shan Rosetta	✓
Huan Yean San	✓

The Company Secretary's biography is set out in the section headed "Biographical Details of Directors and Senior Management" of this report. In compliance with Rule 3.29 of the Listing Rules, the Company Secretary has undertaken no less than 15 hours of relevant professional training during the year ended 31 October 2018.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The following statement, which sets out the responsibilities of the Directors in relation to the financial statements, should be read in conjunction with, but distinguished from, the independent auditors' report on pages 66 to 71 which acknowledges the reporting responsibilities of the Group's auditors.

Accounts

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the financial year ended 31 October 2018 which give a true and fair view of the financial position of the Group.

Going Concern

The Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

AUDITORS' REMUNERATION

The audit committee has reviewed and ensured the independence and objectivity of the external auditors, Crowe. Details of the fees paid or payable to Crowe for the financial year ended 31 October 2018 are as follows:

	HK\$'000
2018 annual audit Non-audit related services	1,260 202
Non addit related services	1,462

RISKS MANAGEMENT AND INTERNAL CONTROLS

The Board has the responsibility to maintain an effective risk management and internal control system in order to safeguard the Group's assets and investments and the shareholders' interest and conducts a review on an annual basis. The Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. During the Year, the Board had conducted review of the effectiveness of the risk management and internal control system of the Company in aspects of the Group's financial, operational, compliance controls and risk management functions before the date of this report through effort of the Audit Committee.

The Board confirms that it has conducted a review of the risk management and internal control system of the Group during the year ended 31 October 2018. The Group currently has no internal audit function and such review was performed by an external independent consultant engaged by the Group. The Board considers that it is more cost effective to engage an external independent consultant instead of recruiting a team of an internal audit staff to perform such annual review function.

The Board has the overall responsibility to maintain the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function and the Board had reached the conclusion that the Group's risk management and internal control system in place are adequate and effective.

DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the SFO and the Listing Rules and the overriding principle that Inside Information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of Inside Information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;
- the Group has formulated inside information policies and disclosed its policies on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and its website;
- the Group has strictly prohibited unauthorised use of confidential or Inside Information; and
- the Group regularly reminds the directors and employees about due compliance with all polices regarding the Inside Information, as well as keeps them appraised of the latest regulatory updates.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meeting and other general meetings. The Chairman of the Board, all other members of the Board including independent non-executive Directors, and the chairmen of all Board committees (or their delegates) will make themselves available at the annual general meeting to meet shareholders and answer their enquiries.

Since the Listing Date and up to the date of this report, the Company has not made any changes to its constitutional documents. A latest version of the Company's constitutional documents are also available on the Company's website and the Stock Exchange's website.

To promote effective communication, the Company maintains a website at www.gml.com.my, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules, unless otherwise required by the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

1. Convening an Extraordinary General Meeting by Shareholders

Pursuant to Article 58 of the Company's articles of association, an extraordinary general meeting ("EGM") may be convened by the Board on requisition of shareholder(s) holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company at the date of deposit of the requisition. Such meeting shall be held within two months after the deposit of such requisition. If the Board fails to proceed to convene such EGM within 21 days from the date of the deposit of the requisition, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The requisitionists must state the objects clearly in the requisition, sign the requisition and deposit the same to the Board or Company Secretary of the Company.

2. Putting Forward Proposals at General Meetings

Shareholders who wish to put forward proposals at general meetings may achieve so by means of convening a EGM following the procedures as set out in the paragraph above.

As regards to the procedures for shareholders to propose a person for election as a Director, they are available on the Company's website at www.gml.com.my.

3. Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company.

Note: The Company will not normally deal with verbal or anonymous enquires.

Primary Contact Person

Shareholders may send their requisitions, proposed resolutions or enquiries as mentioned in (1), (2) and (3) above to the primary contact person of the Company as set out below:

Mr. Yeung Chin Wai, Company Secretary Name:

Unit 206A, 2/F, Sun Cheong Industrial Building, 2 Cheung Yee Street, Lai Chi Kok, Address:

Kowloon, Hong Kong

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Environmental, Social and Governance Report

Being dedicated to designing and manufacturing of bus bodies and assembling of buses for over 25 years, Gemilang International Limited (hereinafter referred as "Gemilang", "we" and the "Company") has been growing into an industry leader providing bus manufacturing solutions in Asia. When we are growing, we also recognise that we have a role to play for continued sustainable business growth and success-by fulfilling the corporate social responsibility ("CSR"), and what's more, creating positive impacts on the environment, people as well as societies. We strive to place strong emphasis on the following aspects, and eventually, create bigger values for our customers and stakeholders in the long run.

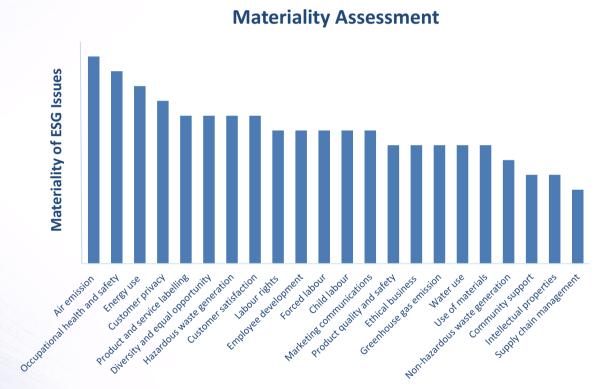


We are pleased to present the second environmental, social and governance ("ESG") report, detailing our material environmental and social performance of the Company as well as its subsidiaries (collectively, the "Group") from 1 November 2017 to 31 October 2018 ("FY 2018"). We have prepared the ESG report in accordance with Appendix 27 of the Rules Governing the Listing of Securities set by The Hong Kong Exchanges and Clearing Limited ("HKEX"). The information covered in the ESG report focused on the factory and office of Gemilang Coachwork Sdn. Bhd. in Malaysia, as well as Gemilang's office in Hong Kong.

We believe that continuous improvement is vital for our sustainable business growth. Therefore, through this ESG reporting, we would like to share our CSR journey with all of our stakeholders, and also, use it as a platform where stakeholders can share what they think about our sustainability effort. We welcome your feedback on this ESG report, feel free to contact us through irgroup@gml.com.my.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

The valuable opinions and views of our stakeholders are important to us. In order to continuously improve our business and make our operations sustainable, this Year, we conducted an online questionnaire to collect the feedbacks of all key stakeholders on the sustainability issues of the Group. The questionnaire contained a set of rating questions, allowing our key stakeholders to determine the importance and relevance of each sustainability indicator to our business operations. The key stakeholder groups that we have engaged throughout the process included not only internal parties such as the board of directors and employees but also external parties such as investors and shareholders, suppliers and contractors as well as the community. From the results collected, we have plotted a chart below showing the ranking of importance of the sustainability topics to our key stakeholders.

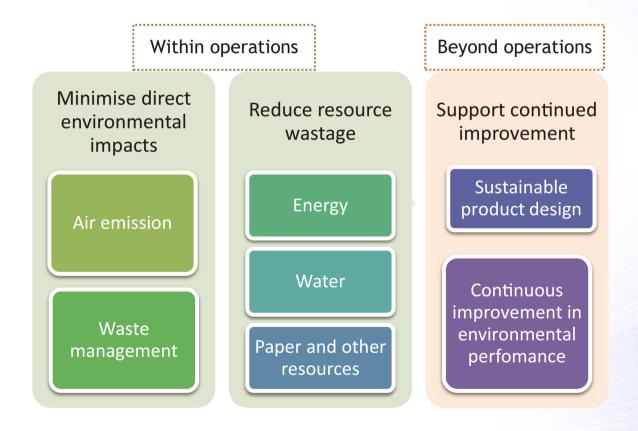


4 topics have been identified as the most material issues and half of which are under the environmental aspects. Our stakeholders also showed their concerns on the employees' occupational health and safety as well as the customers' privacy. Having the results in mind, we will continue to improve our operations to achieve sustainability. Details of our sustainability effort in FY 2018 are presented in later sections.

OUR FOOTPRINT

Climate change is causing great threat to the environment and society in which we live and operate. As the world is facing the challenge and focusing on tackling it, Gemilang, as the leading bus body manufacturer in Asia, understands our responsibility to contribute to the environment and to preserve the planet for our future generations.

We would like to minimise our environmental footprints both within our operations and even beyond our operating society. To achieve this, we develop a comprehensive set of environmental policies and supporting procedures. These policies and procedures help guide us to full compliance with applicable laws and regulations. By minimising the negative environmental impacts of our operations and promoting efficient use of resources, these policies and procedures also help us manage our environmental issues as well as achieving continuous improvement.



Minimising Direct Environmental Impacts

Understanding our operational activities can make impact on the surrounding environment, we have a commitment to reduce those impacts by limiting the air emission as well as managing the waste responsibly in our operations.

While air pollutants are unavoidably generated during the manufacturing process in the operations, we aim to control the pollutants emitted from the factory and minimise the adverse impacts on the environment. We have carried out a third-party monitoring on stack emissions, such as dust and particulate matter, to ensure the emission level complies with the regulatory requirements and standards.

Environmental, Social and Governance Report

Our operations generate both domestic waste and industrial waste. Recognising the potential impacts these waste could have on the environment as well as our worker safety without proper handling, we have standardised procedures in place. Our waste management procedures include detailed information on different types on waste and how to handle them. For instance, hazardous waste produced is required to be properly labelled and stored, and only handled and collected by trained and licensed personnel. In addition, seeing waste as another type of valuable resource, we focus on making better use of them-by recycling and reusing some useful parts such as metals, cables and carton boxes back into the production process, helping reduce the amount of waste ending up in landfill.

Reducing Resource Wastage

We rely a lot on precious resources such as energy, water and paper in our daily operation, but they are not infinite and will be used up in one day. That's why we always strive to use the resources more sustainably and avoid wasting to help sustain the natural environment.

A set of internal guidelines are launched for our employees to ensure their knowledge on how to use the resources, including energy, water as well as paper, in an efficient way.

Energy

- Turn off the lights and equipment that are not in use
- Make use of natural daylight to reduce the need for energyconsuming artificial lightings
- Purchase and install energy-efficient electrical appliance

Water

- Install dual flush toilets for water-saving
- Reduce water leakage
- Purchase and use products with high water efficiencies

Paper

- Encourage printing and copying on both sides of paper
- Encourage using recycled paper, if necessary
- Purchase and use the paper that is certified to the Programme for the Endorsement of Forest Certification ("PEFC")

Supporting Continued Improvement

Green Products and Research

Not only do we reduce the impacts coming from our operations to the environment, we continuously strive to improve our environmental performance and create positive change outside of our operation-even in the community where we operate, by providing people a comfortable yet environmentally-friendly bus journey.

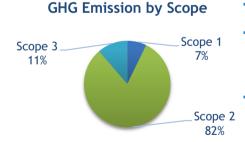
Our Gemilang Eco Range Aluminium Body follows this commitment, which is designed to be light weight and using sustainable materials. Having light weight bus body enables us to use fewer resources and helps us conserve more natural resources during manufacture, which can in turn reduce the amount of waste generated after its end-of-life. When we run the vehicles, lighter materials will consume a smaller amount of fuel and reduce the carbon emissions during the bus journey.

In addition to choosing lighter materials, we encourage using recycled and reusable materials in our products. For instance, aluminium metal is a fundamental part in the bus body. We fully make use of it by recycling, wherever possible, as well as ensuring this part of our products can be recyclable at the end of their lives for making new products to help divert waste from landfill.

Continuing to Improve Our Environmental Performance

As a responsible industry leader, we are dedicated to minimising our impacts on the environment. To better understand our overall footprint performance, this Year, we started to conduct carbon accounting to gain valuable insights into our carbon footprints and look for areas to improve.

Having strong linkage with climate change and other environmental issues such as global warming, greenhouse gas ("**GHG**") is usually generated during the production of energy. In FY 2018, we measured 1,106 tonnes CO_2e of GHG emitted from our operations – most of them came from the electricity that we purchased from the power company.



Total amount ¹	Unit	FY 2018
GHG emissions ²	Tonnes CO ₂ e	1,106.49
Intensity ³	Tonnes CO ₂ e/FTE	1.39

¹ We collected the data from our core operations that were considered material to our business operations in FY 2018.

² Our recorded GHG emissions include direct ("Scope 1"), energy indirect ("Scope 2"), and other indirect ("Scope 3") emissions generated from our core operations in FY 2018-scope 1 emission consisted of the GHG emissions generated from the combustion of fuels in mobile sources owned by Gemilang; Scope 2 emission consisted of the GHG emissions generated from the imported electricity; and Scope 3 emission consisted of the GHG emissions generated from air business travel by employees.

³ Our recorded GHG intensity is the sum of Scope 1, Scope 2 and Scope 3 emissions, divided by the total number of the full-time employees ("FTE") in the core operations in FY 2018.

Environmental, Social and Governance Report

In addition to the GHG emissions, we began to track and record the resources used in our operations-including electricity, water, paper and packaging materials-as well as the waste generated from our operations.

Total amount ¹	Unit	FY 2018
Electricity consumed	MWh	1,298.75
Intensity ⁴	MWh/FTE	1.63
Water consumed	m^3	24,292.58
Intensity 4	m³/FTE	30.52
Paper consumed	Tonnes	0.16
Intensity ⁴	Tonnes/FTE	0.0020
Packaging consumed 5	Tonnes	9.10
Intensity ⁴	Tonnes/FTE	0.011
Waste recycled ⁶	Tonnes	5.89
Intensity ⁴	Tonnes/FTE	0.007

⁴ Our intensity data presented is the sum of the recorded data, divided by the total number of the full-time employees in the core operations in FY 2018.

⁵ Our recorded packaging data includes the carton boxes, plastic bags and stretch films consumed in the core operations in FY 2018.

⁶ Our recorded waste data includes the hazardous chemical waste recycled from the core operations in FY 2018. This refers to the waste engine oil, waste oily rags, waste cleaners, waste coolant, waste light tubes, waste containers, waste batteries and waste glue. The data for non-hazardous waste were not available in FY 2018 as they are not material to our core operations, and we will continue to improve the data collection system.

OUR PRODUCTS

We are on a mission to deliver the most satisfying products to our customers. Therefore, we place a strong emphasis on maintaining high-quality products at all stages-from engaging our work partners. making products, to after-sales services-to ensure customer satisfaction and to drive continuous improvement.

Product Quality

Our manufacturing facilities in Malaysia have established quality management systems and achieved the ISO 9001 certification. In addition to complying with applicable regulatory standards and requirements, we strive to make our customers satisfied with our products and services, as well as constantly looking for areas where we could improve and do better. Formed by employee representatives from all levels, our internal quality council provides guidance on upholding safety standards as well as implementing improvement plans of the system. Targets are set on different aspects, such as supplier performance and on-time delivery, to maintain our high quality standards.

It is essential to manage our suppliers in the supply chain to make sure the product materials from which our products are manufactured in accordance with our high quality standards for customer satisfaction. We carefully select the new suppliers through comprehensive assessment procedures where suppliers are assessed based on the prices, delivery services as well as use of goods. We also keep records of the quality systems that they have obtained. For existing suppliers, we perform supplier audits to evaluate their performance on making quality products and to ensure the proper implementation of the quality management system.

Customer Satisfaction

To learn and continuously improve, we need to understand how our customers think towards us. Customer satisfaction reviews are conducted to collect their feedback, and their satisfaction is measured based on various criteria such as product standard, product packaging quality, delivery lead-time as well as after-sales service quality. We will take prompt improvement actions when necessary.

As we always strive for excellence in our products, we are also well-prepared ourselves in case of complaint about our products. Guidelines are in place on how to handle customer complaints. If we receive complaints from customers, we will thoroughly carry out investigation to understand why the problem has occurred as well as promptly developing improvement plan to help avoid recurrence of similar problem.

Environmental, Social and Governance Report

Continuous Improvement

While we maintain high product quality and make sure our customers are happy with our products, we continually work to identify opportunities to improve our products and to deliver better products to our customers.

This Year, one of our creative ideas on future bus solutions has gained us the MAN Innovation Award in a prestigious bus and coach exhibition Busworld 2017 – a brand-new concept of a low-floor double-deck bus design that helps optimise the flow of bus passengers.





Our creativity and enthusiasm towards making great products has been well exhibited during the international prestigious Busworld 2017 event. We will continue to explore ways to exceed the expectation of our customers.

OUR PEOPLE

We believe all employees should work in a fair, respectful and inclusive environment. Strictly following relevant laws and regulations, we set out guidelines on labour standards and human rights to ensure everyone is respected and treated fairly. These include compensation, dismissal, recruitment, working hour, rest periods, benefits and welfare, as well as anti-discrimination.

It is part of our mission to help attract, motivate and keep our people with our attractive remuneration package. Benefits such as salary increment and bonus, meal allowance and medical benefits, together with service awards for appreciation of employees' contribution, are offered. In addition to the remuneration package and awards, we focus on creating a workplace culture that supports work-life balance and fosters harmony by organising a wide variety of activities ranging from birthday parties, annual dinner, family day to company travel.





We celebrated Lunar New Year with our employees to share the festive joy.





Every month, we arrange birthday party for our employees, allowing them to mingle with their fellows and have fun with snacks and drinks.

Environmental, Social and Governance Report

Everyone deserves to be treated fairly. At Gemilang, we support anti-discrimination at work and strive to provide equal opportunities to all of our employees. We promote fair employment by considering the job-related criteria-such as previous work experience, education background and suitability towards the position-of the job applicants at the recruitment process. We also do not tolerate harassment in any form at work where all employees should be treated with the same level of respects. Employees are encouraged to report to their managers and supervisors when offensive and disrespectful situations arise. In case discrimination and harassment occur, we take actions promptly and the employees involved may be subject to dismissal.

Staff Development and Training

Employees' professional and personal development is the key to our long-term business growth. We strive to provide employees with trainings and development opportunities so that they can nurture their talents and grow with us.



Every year, we develop a training plan depending on the employees' education level, experiences as well as skill requirements. A wide range of internal and external training programmes are offered, covering topics such as job specific skills and knowledge, management skills and personal development. After every training event, we review the training programme to assess whether it is effective for the development of our employees and also for our continuous improvement for planning the training programme in the future.

Our employees receive regular performance-based appraisal. By receiving feedback from their supervisors or managers, this process helps our staff set work goals and expectations, as well as evolving in ways that are good for their personal growth and future career development.





At Gemilang, we provide training and development opportunities for employees at all levels – from general staff to management staff.

Occupational Health and Safety

Workplace safety is an essential part of our business. As part of our commitment to the safety and well-being of our people, we have relevant policies and programmes in place to ensure a safe and healthy place for our people to work in.

We believe that a healthy and safe work environment should not be compromised in our daily operations. To make Gemilang a truly safe workplace, we conduct assessments not only for compliance but also for identifying and eliminating recognisable workplace hazards along with mitigating or preventive measures to address safety risks present at our workplace.

Although we work hard to ensure workplace safety and employee wellbeing, accidents may arise. Emergency drills are arranged for employees to raise their safety awareness and to ensure they clearly understand how to cope with in case of emergencies.





This Year, we organised a fire drill in the factory to make sure our people clearly understand the best ways, such as the emergency exit route and safe assembly point, of handling such emergency situation.

OUR OPERATION

We always act with integrity when doing business. To uphold the highest levels of business integrity. as an ethical corporate, we aim to safeguard all of the confidential information and have zero tolerance against corruption.

Confidentiality and Privacy

We always take confidentiality seriously to protect the interests of the Group. We establish guidelines for our employees to ensure they maintain confidentiality at all times at the workplace and also to restrict them from disclosing our proprietary and internal information to others. Violation in any form will be subject to disciplinary actions up to and including dismissal.

Anti-corruption

Complying with relevant laws and regulations, we work against corruption in any of its forms including bribery, extortion and fraud. It is important to us that all employees understand and act in the way we do business. Our guidelines set out the situations and behaviour that our employees should be aware of, such as offering and accepting gifts, to prohibit unethical business practices. Any violations will lead to dismissal and other disciplinary actions.

OUR COMMUNITY

Gemilang is not simply a company but also has an important role to play in making positive contribution in the community where we operate. Following words with actions, we continued to support the vulnerable group of people living in our local community such as food donation to the needy in old folk house, paying a visit to the children staying in orphanage home, as well as volunteering in a community cleaning activity.





Spending a day in a Malaysian local community Taman Handal, we volunteered and provided our help to clean up the neighbourhood for the residents living there so that they can have decent and safe home to live in.

We always care about the young people and they are also our future generations. In addition to donating our bus to a primary school, we have also given financial support to a number of universities and colleges in Malaysia, such as sponsoring arts performance, donation for building and renovating the schools, as well as funding scholarship for less privileged students. We have sponsored a fund-raising charity bowling tournament held in Hong Kong which directly benefited the best art and sport students in town.





By donating our bus to a local school, school kids can enjoy comfortable and convenient journey with us while commuting.

HKEX ESG REPORTING GUIDE INDEX

нк	EX ESG Reporting G	Guide General Disclosures	Policies & Procedures	Explanation/Reference Section
As	pect A Environmenta	al		
		Information on: - the policies; and	GHG & Environmental Policy	Our Footprint - Minimising Direct Environmental Impacts; and
A1	Emissions	 compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes. 	Waste Management Procedures	Supporting Continued Improvement
A2	Use of Resources	Policies on efficient use of resources, including energy, water and other raw materials.	Energy & Water Usage Policy	Our Footprint – Reducing Resource Wastage In FY 2018, we were not aware of
	. Odd of ficadulocs		Paper Usage Policy	any issue in sourcing water that is fit for purpose.
А3	The Environment and Natural Resources	Policies on minimising the issuer's significant impact on the environment and natural resources.	Not Applicable	The Group's operations do not have significant impact on the environment and natural resources.
As	pect B Social			
		Information on: - the policies; and		
B1	Employment	 compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. 	Staff Handbook	Our People

Environmental, Social and Governance Report

HKEX ESG Reporting Guide General Disclosures			Policies & Procedures	Explanation/Reference Section	
B2	Health and Safety	Information on: - the policies; and - compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health & Safety Policy Staff Handbook	Our People – Staff Development and Training	
В3	Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Staff Handbook	Our People – Staff Development and Training	
	Trailing	Training refers to vocational training. It may include internal and external courses paid by the employer.	Staff Training Policy		
		Information on: - the policies; and		We strictly comply with all the applicable laws and regulations related to labour standards.	
B4	Labour Standards	 compliance with relevant laws and regulations that have significant impact on the issuer relating to preventing child and forced labour. 	No Policy		
B5	Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	Supplier Management Procedures	Our Products - Product Quality	
		Information on: - the policies; and	Guidelines on Handling Customer Complaints	Our Products; and Our Operation – Confidentiality	
В6	Product Responsibility	 compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, 	Quality Management System Manual	and Privacy	
		advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Staff Handbook		
		Information on: - the policies; and	Staff Code of Conduct	Our Operation – Anti-corruption	
B7	Anti-corruption	 compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. 			

HKEX ESG Reporting Guide General Disclosures		Policies & Procedures	Explanation/Reference Section
B8 Community Investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	We are at the stage of setting up community investment policy that suits the conditions of the Group.	Our Community

Independent Auditor's Report



國富浩華(香港)會計師事務所有限公司 Crowe (HK) CPA Limited 香港 銅鑼灣 禮頓道77號 禮頓中心9樓 9/F Leighton Centre, 77 Leighton Road. Causeway Bay, Hong Kong 電話 Main +852 2894 6888 傳真 Fax +852 2895 3752 www.crowe.hk

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF **GEMILANG INTERNATIONAL LIMITED**

(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Gemilang International Limited ("the Company") and its subsidiaries ("the Group") set out on pages 72 to 144, which comprise the consolidated statement of financial position as at 31 October 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 October 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Revenue recognised from sales of bus bodies and kits

Refer to note 5 to the consolidated financial statements and the accounting policies on note 3 to the consolidated financial statements.

The Key Audit Matter

Revenue for the year ended 31 October 2018 were material to the financial statements for the Group. Revenue from sales of bus bodies and kits is recognised upon delivery of goods and customers' acceptance. The accounting policy for revenue recognition is disclosed in note 3 to the consolidated financial statements. The Group recognised revenue of approximately US\$54,264,000 from sales of bus bodies and kits for the year ended 31 October 2018.

How the matter was addressed in our audit

Our audit procedures in relation to revenue recognised from sales of bus bodies and kits included:

- We obtained an understanding of the revenue business cycle regarding sales of bus bodies and kits:
- We tested the key controls over the recognition of sales of bus bodies and kits:
- We checked the terms set out in the sales and purchase agreements; and assessed whether the significant risks and rewards of the ownership of bus bodies and kits had been transferred to the customers by the review of delivery notes and evidence of customers' acceptance, on a sample basis; and
- We tested the material sales transactions close to the end of the reporting period to assess whether those sales transactions were recorded in the appropriate accounting period in accordance with the Group's revenue recognition policy.

KEY AUDIT MATTERS (Continued)

Provision for inventories

Refer to note 17 to the consolidated financial statements and the accounting policies on note 3 to the consolidated financial statements.

The Key Audit Matter

As at 31 October 2018, the Group held inventories of US\$17,738,000 and were material to the financial statements of the Group. Significant judgements and estimates are required for management to assess the appropriate level of provision for these inventories. This takes into account factors that include but are not limited to economic outlook, the latest purchase price of raw materials and latest selling price of bus bodies and kits.

How the matter was addressed in our audit

Our audit procedures included:

- We obtained an understanding of procedures taken by management to estimate the net realisable value of inventories and the respective basis of inventory provision policy adopted by the Group; and
- We tested the ageing analysis and also assessed the inventory provision made by management by comparing the subsequent selling price of the finished products to their costs.

Recoverability of trade receivables

Refer to note 18 to the consolidated financial statements and the accounting policies on note 3 to the consolidated financial statements.

The Key Audit Matter

As at 31 October 2018, the Group recorded gross trade receivables of US\$12,150,000 and provision for allowance of doubtful debts of US\$2,678,000, which were material to the financial statements of the Group. When determining whether a trade receivable is collectable, significant management judgements are involved, including the ageing of the balance, existence of disputes, recent historical payment patterns and other available information concerning the creditworthiness of the customer.

How the matter was addressed in our audit

Our audit procedures included:

- We assessed the design, implementation and operating effectiveness of the Group's controls over credit control, debt collection and the calculation of the allowance for doubtful debts;
- We tested the accuracy of debtors' ageing reports by checking, on a sample basis, to the source documents, including invoices and delivery notes; and
- We assessed the reasonableness of allowance for doubtful debts with reference to the debtors' payment history, subsequent settlements and ageing analysis of the trade receivable balances.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED **FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditor's report is Mr. Lau Kwok Hung.

Crowe (HK) CPA Limited

Certified Public Accountants Hong Kong, 25 January 2019

Lau Kwok Hung

Practising Certificate Number: P04169

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 October 2018 (Expressed in United States dollars)

	Note	2018 US\$'000	2017 <i>US\$'000</i>
Revenue Cost of sales	5	57,091 (44,959)	50,354 (37,422)
Gross profit		12,132	12,932
Other revenue Other net income Selling and distribution expenses General and administrative expenses	6 6	77 36 (5,389) (7,322)	93 475 (6,503) (4,674)
(Loss)/profit from operations		(466)	2,323
Finance costs Share of (loss)/profit of an associate	7(a)	(798) (100)	(706) 490
(Loss)/profit before taxation	7	(1,364)	2,107
Income tax	11	(82)	(922)
(Loss)/profit for the year attributable to the equity owners of the Company		(1,446)	1,185
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss: Exchange difference on translation of financial statements of overseas subsidiaries		399	316
Total comprehensive (loss)/income for the year attributable to equity owners of the Company		(1,047)	1,501
(Loss)/earnings per share (US cents per share) – Basic	12	(0.58)	0.48
- Diluted		(0.58)	0.48

The notes on pages 78 to 144 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 October 2018 (Expressed in United States dollars)

	Note	2018 US\$'000	2017 <i>US\$'000</i>
Non-current assets			
Property, plant and equipment	13	8,094	7,984
Intangible assets	15	323	281
Interest in an associate	16	545	645
		8,962	8,910
Current assets			
Inventories	17	17,738	13,949
Trade and other receivables	18	12,240	16,811
Tax recoverable	24(a)	1,069	221
Pledged bank deposits	19	2,711	2,039
Cash and bank balances	20	4,246	2,781
		38,004	35,801
Current liabilities			
Trade and other payables	21	17,477	15,502
Bank borrowings	22	9,651	7,259
Bank overdrafts	20, 22	2,602	2,619
Obligations under finance leases	23	70	71
Provision for taxation	24(a)	78	95
		29,878	25,546
Net current assets		8,126	10,255
Total assets less current liabilities		17,088	19,165

Consolidated Statement of Financial Position

As at 31 October 2018 (Expressed in United States dollars)

	Note	2018 <i>U</i> S\$'000	2017 <i>US\$'000</i>
Non-current liabilities Obligations under finance leases	23	77	145
Deferred tax liabilities	24(b)	112	319
No.		189	464
Net assets Capital and reserves	27	16,899	18,701
Share capital Reserves		324 16,575	322 18,379
Total equity attributable to owners of the Company		16,899	18,701

Approved and authorised for issue by the board of directors on 25 January 2019.

Phang Sun Wah	Pang Chong Yong
Director	Director

The notes on pages 78 to 144 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 October 2018 (Expressed in United States dollars)

Attributable t	o equity	owners of	the	Company	V
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				quity officions		,	
	Share capital US\$'000	Share premium US\$'000	Merger reserve US\$'000	Exchange reserve US\$'000	Share option reserve US\$'000	Retained earnings	Total US\$'000
At 1 November 2016	242	1,691	679	(1,161)	_	6,140	7,591
Changes in equity for 2016/2017:							
Profit for the year Other comprehensive income for the year Exchange differences on translation of financial statements of	-	-	-	-	-	1,185	1,185
overseas subsidiaries	_	-	_	316	-	-	316
Total comprehensive income for the year	-	-	-	316	-	1,185	1,501
Issue of new shares by the Company upon global offering (Note 27(b)) Share issue expenses Recognition of equity-settled share-based	80 –	10,229 (1,112)	- -	- -	- -	- -	10,309 (1,112)
payment (Note 25(a))	_	_	_	_	379	_	379
Exercise of share options (Note 25(a))	_	43	_	_	(10)	_	33
Lapse of share options (Note 25(a))					(27)	27	
At 31 October 2017	322	10,851*	679*	(845)*	342*	7,352*	18,701
At 1 November 2017	322	10,851	679	(845)	342	7,352	18,701
Changes in equity for 2017/2018:							
(Loss) for the year Other comprehensive income for the year Exchange differences on translation of financial statements of	-	-	-	-	-	(1,446)	(1,446)
overseas subsidiaries	_	_	_	399	_	_	399
Total comprehensive (loss) for the year	_	-	_	399	-	(1,446)	(1,047)
Exercise of share options (Note 25(a)) Lapse of share options (Note 25(a))	2	281	-	-	(71) (11)	- 11	212
Dividend paid (Note 10)		(967)					(967)
At 31 October 2018	324	10,165*	679*	(446)*	260*	5,917*	16,899

^{*} These reserve accounts comprise consolidated reserves of approximately US\$16,575,000 (2017: US\$18,379,000) in the consolidated statement of financial position.

The notes on pages 78 to 144 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 October 2018 (Expressed in United States dollars)

	Note	2018 US\$'000	2017 <i>US\$'000</i>
Operating activities			
(Loss)/profit before taxation		(1,364)	2,107
Adjustments for:			
Net allowance for/(reversal of) impairment			
losses on receivables	7(c)	2,691	(194)
Depreciation	7(c)	558	453
(Gain) on disposal of property, plant and equipment	7(c)	(4)	(19)
Share of loss/(profit) of an associate		100	(490)
Share-based payments	25	_	379
Unrealised (gain)/loss on foreign exchange		221	(231)
Interest expenses	7(a)	798	706
Interest income	6	(66)	(83)
Operating cash flows before movements			
in working capital		2,934	2,628
(Increase) in inventories		(3,772)	(1,387)
Decrease/(increase) in trade and other receivables		1,934	(1,483)
Increase/(decrease) in trade and other payables		2,016	(3,447)
Cash generated from/(used in) operations		3,112	(3,689)
Income tax paid		(1,087)	(960)
Net cash generated from/(used in)		0.005	(4.040)
operating activities		2,025	(4,649)
Investing activities		0.0	0.0
Interest received		66	83
Proceeds from disposal of property, plant and		00	0.5
equipment		29	25
Payments for purchase of property,		(EQ4)	(060)
plant and equipment		(594)	(869)
Payments for purchase of intangible assets		(41)	
Net cash (used in) investing activities		(540)	(761)

Consolidated Statement of Cash Flows

For the year ended 31 October 2018 (Expressed in United States dollars)

Note	2018 US\$'000	2017 US\$'000
Financing activities		
Proceeds from shares issued by the Company	212	10,342
Share issue expenses		(1,112)
(Increase) in pledged bank deposits	(674)	(61)
Proceeds from bank borrowings	26,013	27,418
Repayment of bank borrowings	(23,614)	(31,062)
Repayment of finance lease payables	(73)	(70)
Interest expenses	(852)	(708)
Dividend paid	(967)	_
Net cash generated from financing activities	45	4,747
Net increase/(decrease) in cash and cash equivalents	1,530	(663)
Effects of foreign exchange translation	(48)	4
Cash and cash equivalents at beginning of the year	162	821
Cash and cash equivalents at end of the year 20	1,644	162

Notes to the Consolidated Financial Statements

For the year ended 31 October 2018

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability. The Company's registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business in Hong Kong and Malaysia are located at Unit 206A, 2/F, Sun Cheong Industrial Building, 2 Cheung Yee Street, Lai Chi Kok, Kowloon, Hong Kong and Ptd 42326 Jalan Seelong, Mukim Senai 81400 Senai, Johor, West Malaysia respectively.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 14. As at 31 October 2018, the directors consider that the Company is ultimately controlled by Mr. Phang Sun Wah and Mr. Pang Chong Yong (the "Controlling Shareholders").

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group.

Amendments to HKAS 7 Amendments to HKAS 12 Amendments to HKFRS 12 Disclosure Initiative
Recognition of Deferred Tax Assets for Unrealised Losses
As part of the Annual Improvements to

HKFRSs 2014 – 2016 Cycle

None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 20 to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, Disclosure Initiative, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation

The consolidated financial statements for the year ended 31 October 2018 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis. Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Hong Kong dollars ("HK\$") whereas the consolidated financial statements are presented in United States dollars ("US\$"), rounded to the nearest thousand, unless otherwise stated, which the management of the Group considered is more appropriate for users of the consolidated financial statements.

The preparation of financial statements 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 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 these financial statements and major sources of estimation uncertainty are discussed in Note 4.

(c) Business combinations

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Business combinations (Continued)

(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.

(d) New and revised HKFRSs not yet effective

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 October 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ⁴
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK (IFRIC) - Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 3	Definition of a business ⁵
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁵
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ²
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ²

- ¹ Effective for annual periods beginning on or after 1 January 2018
- ² Effective for annual periods beginning on or after 1 January 2019
- Effective for annual periods beginning on or after a date to be determined
- Effective for annual periods beginning on or after 1 January 2021
- ⁵ Effective for annual periods beginning on or after 1 January 2020

Except for the new standards mentioned below, the directors anticipate that the application of all other new and amendments to HKFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) New and revised HKFRSs not yet effective (Continued)

HKFRS 9 Financial Instruments

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect material change to the loss allowance for trade receivables.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by the Group

It is mandatory for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 November 2018, with the practical expedients permitted under the standard. Comparative figures as at and for the year ended 31 October 2018 will not be restated.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) New and revised HKFRSs not yet effective (Continued)

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

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.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future will not have a material impact on the timing and amounts of revenue recognised to the consolidated financial statements of the Group in the future based on the existing business model of the Group as at 31 October 2018.

HKFRS 16 Leases

As disclosed in note 3(i), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) New and revised HKFRSs not yet effective (Continued)

HKFRS 16 Leases (Continued)

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, that is, at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (that is, where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss and other comprehensive income over the period of the lease. As set out in Note 29 below, the future aggregate minimum lease payments under non-cancellable operating lease of the Group as at 31 October 2018 amounted to approximately US\$1,001,000. The majority of which is payable between 1 and 3 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

The Group has not yet decided whether it will choose to take advantage of practical expedient and which transition approach to be taken.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Subsidiaries and non-controlling interests

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.

An investment in a subsidiary is consolidated into the consolidated financial statements 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 these financial statements. 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.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

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 that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the 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.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 3(j)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 3(j)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year and the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income are recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) 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(j)):

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.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Intangible asset

Intangible asset is measured at cost less accumulated impairment losses, if any. Intangible asset with indefinite useful life is tested for impairment at least annually, and whenever there is an indication that they may be impaired (Note 3(j)). The impairment loss of intangible asset is recognised immediately in profit or loss.

(i) 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(g). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 3(j). 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Leased assets (Continued)

(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.

(i) 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 investments in associates accounted for under the equity method in the consolidated financial statements (see note 3(f)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 3(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 3(j)(ii).

SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets (Continued)

(i) Impairment of investments in equity securities and other receivables (Continued)

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 receivables 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 receivables 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;
- intangible assets; and
- Investment in subsidiaries in the Company's statement of financial position

Notes to the Consolidated Financial Statements

For the year ended 31 October 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) 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(j)).

(m) 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.

(n) 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(r), 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.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, 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 consolidated statement of cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share option reserve within equity. The fair value is measured at grant date using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

When share options are exercised, the amount previously recognized in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share option reserve will be transferred to retained earnings.

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(q) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Income tax (Continued)

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Income tax (Continued)

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.

(r) 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 issue of a 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Financial guarantees issued, provisions and contingent liabilities (Continued)

(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.

(s) 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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) 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, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

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 United States Dollars ("US\$") at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Consolidated 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.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

(u) 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.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - 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) An entity is related to the Group if any of the following conditions applies:

- 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in these financial statements, are identified from the financial information provided regularly to the Company'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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Sources of estimation uncertainty

(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(j). 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 the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and the 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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Sources of estimation uncertainty (Continued)

(iii) Impairment of trade and other receivables

Management determines impairment losses of trade and other receivables on a regular basis 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, existence of disputes, recent historic payment patterns, customer credit-worthiness and historical write-off experience. If the financial condition of the debtors 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(k), 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.

5. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

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

	2018 <i>U</i> S\$'000	2017 <i>US\$'000</i>
Revenue Sales of bus bodies and kits Sales of parts and provision of relevant services	54,264 	47,781 2,573
	57,091	50,354

(b) Segment reporting

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

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

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of head office and corporate expenses, other revenue, other net income, finance costs and share of (loss)/profit of an associate. 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.

5. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

For the year ended 31 October 2018

	Sales of bus bodies and kits US\$'000	Sales of parts and provision of relevant services US\$'000	Total <i>U</i> S\$′000
Revenue Revenue from external customers	54,264	2,827	57,091
Reportable segment revenue	54,264	2,827	57,091
Reportable segment profit	799	406	1,205
Unallocated head office and corporate expenses: - Other expenses Other revenue Other net income Finance costs Share of (loss) of an associate			(1,784) 77 36 (798) (100)
(Loss) before income tax			(1,364)
Other segment information Depreciation Allowances for doubtful debts	558 2,685	_ 6	558 2,691

5. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

For the year ended 31 October 2017

	Sales of bus bodies and kits <i>US\$'000</i>	Sales of parts and provision of relevant services US\$'000	Total <i>US\$'000</i>
Revenue Revenue from external customers	47,781	2,573	50,354
Reportable segment revenue	47,781	2,573	50,354
Reportable segment profit	3,701	270	3,971
Unallocated head office and corporate expenses: - Listing expenses - Other expenses Other revenue Other net income Finance costs Share of profit of an associate			(563) (1,459) 93 281 (706) 490
Profit before income tax			2,107
Other segment information Depreciation Net (reversal of) allowances for doubtful debts	453 (194)	-	453 (194)

5. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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.

		Revenues from external customers	
	2018 <i>U</i> S\$'000	2017 US\$'000	
Malaysia (place of domicile)	280	7,731	
Singapore	26,785	19,509	
Australia	15,449	15,247	
Hong Kong	8,221	4,481	
Uzbekistan	4,078	2,231	
Indonesia	1,532	_	
Others	746	1,155	
	57,091	50,354	
	Non-current	Non-current assets	
	2018	2017	
	US\$'000	US\$'000	
		0.005	
Malaysia	8,417	8,265	
Australia	545	645	
	8,962	8,910	

The Group's non-current assets included property, plant and equipment, intangible assets and interest in an associate. The geographical location of the Group's non-current assets are based on the physical location of the asset in the case of tangible assets, and the location of operation to which they are allocated in the case of intangible asset, and the location of operations, in the case of interest in an associate.

5. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Information about major customers

Revenues from the Group's customers contributing 10% or more of the Group's revenue is as follows:

	2018 <i>U</i> S\$'000	2017 <i>US\$'000</i>
Customer A	25,132	18,074
Customer B	7,272	6,335
Customer C	7,200	N/A*
Customer D	N/A*	12,873
	39,604	37,282

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.

6. OTHER REVENUE AND NET INCOME

	2018 <i>U</i> S\$'000	2017 <i>US\$'000</i>
Other revenue		
Bank interest income	66	83
Total interest income on financial assets not		
at fair value through profit or loss	66	83
Rental income	5	4
Others	6	6
	77	93
Other net income		
Net foreign exchange gain	32	262
Net reversal of doubtful debts	_	194
Gain on disposal of property, plant and equipment	4	19
	36	475

7. (LOSS)/PROFIT BEFORE TAXATION

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

(a) Finance costs

		2018 US\$'000	2017 <i>US\$'000</i>
	nterest on bank borrowings inance charge on obligations under finance leases	788 10	693 13
T	otal interest expenses on financial liabilities not at fair value through profit or loss	798	706
(b) S	Staff costs (including directors' emoluments)		
		2018 US\$'000	2017 <i>US\$'000</i>
Е	calaries, wages and other benefits Equity-settled share-based payment expenses Contributions to defined contribution retirement plans	3,059 - 391	2,376 379 197
		3,450	2,952
(c) O	Other items		
_		2018 US\$'000	2017 US\$'000
A C D Li N	let allowance/(reversal of) for impairment losses on receivables auditors' remuneration cost of inventories depreciation* isting expenses let foreign exchange (gain) Gain) on disposal of property, plant and equipment depreciating lease charges: minimum lease payments in respect of - properties - equipment	2,691 162 44,959 558 - (32) (4)	(194) 154 37,422 453 563 (262) (19)

^{*} Cost of inventories includes approximately US\$1,282,000 (2017: US\$1,069,000) relating to staff costs and depreciation charges, which amount is also included in the respective total amounts disclosed separately above or in the Note 7(b) for each of these types of expenses.

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8. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Year ended 31 October 2018

	Directors' fees US\$'000	Salaries allowances and benefits in kind US\$'000	Contribution to defined contribution plan US\$'000	Share-based payments (Note ii) US\$'000	Total <i>U</i> S\$'000
Executive directors					
Mr. Phang Sun Wah (Chairman)	16	391	34	_	441
Mr. Pang Chong Yong (Chief executive)	16	400	46	_	462
Ms. Phang Huey Shyan	16	167	19	-	202
Independent non-executive directors					
Ms. Lee Kit Ying	38	-	_	-	38
Ms. Wong Hiu Ping	15	-	_	-	15
Ms. Kwok Yuen Shan Rosetta	15	-	_	-	15
Mr. Huan Yean San	15				15
	131	958	99	-	1,188

8. DIRECTORS' EMOLUMENTS (Continued)

Year ended 31 October 2017

	Directors' fees US\$'000	Salaries allowances and benefits in kind <i>US\$'000</i>	Contribution to defined contribution plan US\$'000	Share- based payments (Note ii) US\$'000	Total US\$'000
Executive directors					
Mr. Phang Sun Wah (Chairman)	15	330	19	19	383
Mr. Pang Chong Yong (Chief executive)	15	336	39	19	409
Ms. Phang Huey Shyan	15	123	15	19	172
Independent non-executive directors					
Ms. Lee Kit Ying	37	_	-	_	37
Ms. Wong Hiu Ping	15	_	-	-	15
Ms. Kwok Yuen Shan Rosetta	15	_	-	-	15
Mr. Huan Yean San	15				15
	127	789	73	57	1,046

Notes:

- (i) The remuneration shown above included remuneration received from the Group by the directors in their capacity as employees of the subsidiaries during the years ended 31 October 2018 and 2017.
- (ii) These represent the estimated value of share options granted to the directors under the Company's share option scheme (Note 25). The value of these share options was measured according to the Group's accounting policies for share-based payment transactions as set out in Note 3(p)(ii).
- (iii) 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 year ended 31 October 2018 (2017: Nil). No director waived or agreed to waive any emoluments during the year ended 31 October 2018 (2017: Nil).

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2017: three) are directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other two (2017: two) individuals are as follows:

	2018 <i>U</i> S\$'000	2017 <i>US\$'000</i>
Salaries and other emoluments Contributions to retirement benefits scheme Share-based payments	329 31 	256 20 25
	360	301

The emoluments of two (2017: two) individuals with the highest emoluments are within the following bands:

	2018 Number of individuals	2017 Number of individuals
HK\$Nil to HK\$1,000,000		
(Equivalent to US\$Nil to US\$128,866) HK\$1,000,001 to HK\$1,500,000	-	1
(Equivalent to US\$128,866 to US\$193,299)	2	1
	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 year ended 31 October 2018 (2017: Nil).

10. DIVIDENDS

(a) Dividends payable to owners of the Company attributable to the year

	2018 <i>U</i> S\$'000	2017 US\$'000
Final dividend proposed after the end of the reporting period of HK\$Nil cents per ordinary share (2017: HK\$0.03 per ordinary share)		967
	_	967

The final dividend proposed after the end of the reporting period had not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to owners of the Company attributable to the previous financial year, approved and paid during the year

	2018 <i>U</i> S\$'000	2017 <i>US\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.03 per ordinary share (2017: Nil)	967	
	967	<u> </u>

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

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

	2018 <i>U</i> S\$'000	2017 <i>US\$'000</i>
Current tax		
Charge for the year	143	761
Underprovision in respect of prior years	159	20
Deferred tax (Note 24(b))		
Origination and reversal of temporary differences	(220)	141
Income tax expense for the year	82	922

- (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) Hong Kong profits tax rate is 16.5% for the year ended 31 October 2018 (2017: 16.5%). The Group is not subject to Hong Kong profits tax as it has no assessable income arising in and derived from Hong Kong for the years ended 31 October 2018 and 2017.
- (iii) PRC subsidiaries are subject to The People's Republic of China ("PRC") Enterprise Income Tax ("EIT") at 25% (2017: 25%).
- (iv) GML Coach Technology Pte. Limited, a wholly-owned subsidiary of the Group is subject to Singapore statutory income tax rate of 17% (2017: 17%).
- (v) Gemilang Coachwork Sdn. Bhd., a wholly-owned subsidiary of the Group was subject to Malaysia statutory income tax rate of 24% (2017: 24%).

11. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

(b) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	2018 <i>U</i> S\$'000	2017 US\$'000
(Loss)/profit before taxation	(1,364)	2,107
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to the (loss)/profits in the countries concerned Tax effect of non-deductible expenses Tax effect on non-taxable income Reinvestment allowance claim (i) Underprovision in respect of prior years Others	(169) 491 (257) — 159 (142)	492 481 - (71) 20 -
	82	922

⁽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 and 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 unutilized RA.

12. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the consolidated (loss) attributable to equity shareholders of the Company of approximately US\$(1,446,000) (2017: consolidated profit of US\$1,185,000) and the weighted average number of approximately 250,910,000 ordinary shares (2017: 248,303,000 ordinary shares) in issue during the year. The weighted average number of ordinary shares in issue during the year ended 31 October 2018 is determined by (1) the issued ordinary shares at 1 November 2017 of 250,144,000 shares and (2) effect of issue of shares under the Company's share option scheme of 766,000 shares. The weighted average number of ordinary shares in issue during the year ended 31 October 2017 is determined by (1) the issued ordinary shares at 1 November 2016 of 187,500,000 shares, (2) effect of shares issued by global offering of 60,788,000 shares, and (3) effect of issue of shares under the Company's share option scheme of 15,000 shares.

(b) Diluted (loss)/earnings per share

For the year ended 31 October 2018, diluted loss per share equal basic loss per share as the exercise of the outstanding share options would be anti-dilutive.

For the year ended 31 October 2017, diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all the Company's outstanding share options.

	2017 <i>US\$'000</i>
Profit attributable to owners of the Company	1,185
	2017 '000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	248,303
Effect of dilutive potential ordinary shares: Share options (Note 25)	129
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	248,432
Diluted earnings per share (US cent)	0.48

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold		Building	Plant and	Tools and	Motor	Furniture, fittings and office	
	land US\$'000	Buildings US\$'000	in progress US\$'000	machinery US\$'000	equipment US\$'000	vehicles US\$'000	equipment US\$'000	Total US\$'000
Cost:								
At 1 November 2016	1,832	3,468	1,520	1,133	429	862	715	9,959
Additions	-	5	160	165	114	20	405	869
Transfer Disposal/written off	_	1,633	(1,633)	(43)	(52)	_	_	(05)
Exchange realignment	(15)	10	- (47)	(6)	(1)	(6)	4	(95) (61)
Exchange realignment	(10)		(+1)					(01)
At 31 October 2017	1,817	5,116	_	1,249	490	876	1,124	10,672
At 1 November 2017	1,817	5,116	-	1,249	490	876	1,124	10,672
Additions	-	-	-	41	48	100	405	594
Disposal/written off	_	_		(22)	(111)	(116)	(235)	(484)
Exchange realignment	21	59		14	8	11	14	127
At 31 October 2018	1,838	5,175		1,282	435	871	1,308	10,909
Accumulated depreciation:								
At 1 November 2016	-	566	-	727	234	366	441	2,334
Depreciation for the year	-	75	-	90	46	140	102	453
Disposal/written off	-	_	-	(37)	(52)	-	-	(89)
Exchange realignment		(3)		(5)	(2)			(10)
At 31 October 2017	_	638	_	775	226	506	543	2,688
At 1 November 2017	_	638	_	775	226	506	543	2,688
Depreciation for the year	_	107	_	86	51	149	165	558
Disposal/written off	-	-	-	(22)	(104)	(104)	(229)	(459)
Exchange realignment		3		6	5	4	10	28
At 31 October 2018		748	_	845	178	555	489	2,815
Net book value:								
At 31 October 2018	1,838	4,427	_	437	257	316	819	8,094
At 31 October 2017	1,817	4,478	- <u>-</u>	474	264	370	581	7,984

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13. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) As at 31 October 2018 and 2017, the net book value of property, plant and equipment held under finance leases was as follow:

	2018 <i>U</i> S\$'000	2017 <i>US\$'000</i>
Motor vehicles	180	265

(b) The net book value of assets pledged to secure certain banking facilities granted to the Group (Note 22) was as follow:

	2018 <i>U</i> S\$'000	2017 <i>US\$'000</i>
Freehold land Buildings	1,838 4,427	1,817 4,478
	6,265	6,295

14. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 October 2018:

	Issued			ion of ownership ir		
Name of company	Place of incorporation and business	and fully paid ordinary share/ registered capital	Group's effective interest	Held by the Company	Held by subsidiaries	Principal activity
Gemilang Limited	British Virgin Islands	US\$1	100%	100%	-	Investment holding
Gemilang Asia Pacific Limited	British Virgin Islands	US\$1	100%	100%	-	Investment holding
Gemilang Coachwork Sdn. Bhd. ("Gemilang Coachwork")	Malaysia	RM2,000,000	100%	-	100%	Fabrication of body work for buses and trading of body kits and spare parts for buses
GML Coach Technology Pte. Limited ("GML Coach")	Singapore	SGD5,000	100%	-	100%	Dealing in spare parts for buses and related products and providing maintenance services for buses
Gemilang (Greater China) Limited	British Virgin Islands	US\$1	100%	-	100%	Investment holding
Gemilang Greater China Limited	Hong Kong	HK\$1	100%	-	100%	Investment holding
順鋁(上海)汽車科技有限公司 (順鋁(上海)) (Note 1)	PRC	RMB1,000,000	100%	-	100%	Investment holding
順鋁(深圳)汽車科技有限公司 (順鋁(深圳)) (Note 2)	PRC	RMB1,000,000	100%	-	100%	Inactive
Gemilang (Middle East) Limited	British Virgin Islands	US\$1	100%	-	100%	Inactive

^{1.} 順鋁(上海) is established under the laws of the PRC as Wholly Foreign Owned Enterprise.

^{2.} 順鋁(深圳) is established under the laws of the PRC as Wholly Foreign Owned Enterprise.

15. INTANGIBLE ASSETS

	US\$'000
Cost: At 1 November 2016 Exchange realignment	283 (2)
At 31 October 2017	281
At 1 November 2017 Additions Exchange realignment	281 41 1
At 31 October 2018	323

The intangible assets mainly represents the expenses incurred to obtain certifications in Australia in complying with the relevant Australian Design Rules (ADRs) for vehicle safety, anti-theft and emissions which is a requirement for exporting the Group's products to the Australia market. 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 specified 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. The carrying amounts of the 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 year end of the cash-generating unit relating to sales of buses bodies business to which these certifications are allocated, 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 16.12% (2017: 17.82%). Cash flows beyond that five-year period have been extrapolated using a steady 3% (2017: 3%) growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the cash-generating unit operates. Accordingly, the Directors determined that there was no impairment in value of the certifications as at 31 October 2018 and 2017.

16. INTEREST IN AN ASSOCIATE

	2018 US\$'000	2017 <i>US\$'000</i>
Share of net assets	380	480
Goodwill	165	165
	545	645
Amount due to an associate	(361)	(2,955)

The amount due to an associate is unsecured, interest-free and repayable on demand.

The amount due to an associate is included in trade and other payables (Note 21).

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

				Proportion of ownership interest		
Name of company	Place of incorporation and business	Class of shares held	Particulars of issued and paid up capital	Group's effective interest	Held by subsidiaries	Principal activity
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 provides 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 consolidated financial statements.

16. INTEREST IN AN ASSOCIATE (Continued)

The following table illustrates the financial information of the Group's associate that is not individually material:

	2018 <i>U</i> S\$'000	2017 <i>US\$'000</i>
Carrying amount of the associate in consolidated financial statements	545	645
Amount of the Group's share of associate's (loss)/profit for the year Amount of the Group's share of associate's other comprehensive income	(100)	490
Amount of the Group's share of associate's total comprehensive income	(100)	490

17. INVENTORIES

	2018 <i>U</i> S\$'000	2017 <i>US\$'000</i>
Raw material Work-in-progress Finished goods Goods in transit	9,043 4,280 2,313 2,102	7,912 1,587 2,828 1,622
	17,738	13,949

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2018 US\$'000	2017 <i>US\$'000</i>
Carrying amount of inventories sold	44,959	37,422

18. TRADE AND OTHER RECEIVABLES

	2018 <i>U</i> S\$'000	2017 US\$'000
Trade receivables	12,150	15,295
Less: allowance for doubtful debts	(2,678)	(398)
	9,472	14,897
Other receivables	2,024	1,196
Advances to suppliers	261	341
Deposits	67	69
Prepayments	416	308
	2,768	1,914
	12,240	16,811

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

(a) Ageing analysis of trade receivables

As of the end of the reporting period, the ageing analysis of trade receivables based on invoice date is as follow:

	2018 US\$'000	2017 <i>US\$'000</i>
Within 30 days 31 to 90 days Over 90 days	3,084 4,902 1,486	1,439 9,157 4,301
	9,472	14,897

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 28(a).

18. TRADE AND OTHER RECEIVABLES (Continued)

(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(j)).

Movements in the allowance for doubtful debts

	2018 <i>U</i> S\$'000	2017 <i>US\$'000</i>
At the beginning of year Impairment loss recognised	398 2,858	661 26
Amounts written-back Uncollectible amounts written-off	(167) (219)	(220) (59)
Exchange realignment	(192)	(10)
At the end of the year	2,678	398

At 31 October 2018, trade receivables of approximately US\$2,678,000 (2017: US\$398,000) 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:

	2018 US\$'000	2017 <i>US\$'000</i>
Neither past due nor impaired	2,824	1,379
Past due but not impaired: Less than 90 days past due 90 to 180 days past due Over 180 days past due	5,311 330 1,007	9,231 3,086 1,201
At the end of the year	9,472	14,897

Receivables that were neither past due nor impaired relate to a number of independent 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.

19. PLEDGED BANK DEPOSITS

	2018	2017
	U\$\$'000	US\$'000
Pledged bank deposits	2,711	2,039

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

The effective interest rates of the pledged bank deposits are as follow:

	2018	2017
Pledged bank deposits	2.86%	3.13%

20. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprises:

	2018 <i>U</i> S\$'000	2017 <i>US\$'000</i>
Cash and bank balances Less: Bank overdrafts (Note 22)	4,246 (2,602)	2,781 (2,619)
Cash and cash equivalents in the consolidated statement of cash flows	1,644	162

(b) Reconciliation of liabilities arising from financing activities

	Bank borrowings <i>U</i> S\$'000	Obligation under finance lease US\$'000	Dividend payable US\$'000	Interest payables US\$'000	Total US\$'000
A	7.050	0.10			7.550
At 1 November 2017 Non-cash – dividend	7,259	216	_	84	7,559
declared	_	_	967	-	967
Non-cash – interest cost Non-cash – currency	_	_	_	798	798
translation difference Cash flow – financing	(7)	4	_	3	-
activities	2,399	(73)	(967)	(852)	507
At 31 October 2018	9,651	147		33	9,831

21. TRADE AND OTHER PAYABLES

	2018 <i>U</i> S\$'000	2017 <i>US\$'000</i>
Trade payables Other payables and accruals Advance deposits from customers	10,918 3,148 3,411	9,306 5,737 459
	17,477	15,502

Ageing analysis of trade payables

As of the end of the reporting period, the ageing analysis of trade payables based on invoice date is as follows:

	2018 <i>U</i> S\$'000	2017 <i>US\$'000</i>
Within 30 days 31 to 90 days Over 90 days	3,445 4,171 3,302	3,011 3,290 3,005
	10,918	9,306

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

22. BANK OVERDRAFTS AND BORROWINGS

	2018 <i>U</i> S\$'000	2017 <i>US\$'000</i>
Bank overdrafts (Note 20) Bank borrowings	2,602 9,651	2,619 7,259
	12,253	9,878

The analysis of the carrying amount of secured bank overdrafts and borrowings is as follows:

	2018 US\$'000	2017 <i>US\$'000</i>
Current liabilities Portion of bank overdrafts and borrowings which contain a repayment on demand clause Due for repayment within 1 year Due for repayment after 1 year	12,134 119	9,704 174
Total	12,253	9,878

22. BANK OVERDRAFTS AND BORROWINGS (Continued)

The bank overdrafts and borrowings were due for repayment as follows:

	2018 US\$'000	2017 <i>US\$'000</i>
Portion of bank overdrafts and borrowings due for repayment within 1 year*	12,134	9,704
Bank borrowings due for repayment after 1 year* After 1 year but within 2 years After 2 years but within 5 years	59 60	55 119
	119	174
	12,253	9,878

^{*} The amounts due are based on the scheduled repayment dates as stipulated in the respective loan agreements.

The bank overdrafts and borrowings were secured as follows:

	Notes	2018 US\$'000	2017 <i>US\$'000</i>
Secured Unsecured	(i), (ii), (iv) (iii), (iv)	7,939 4,314	7,628 2,250
		12,253	9,878

At 31 October 2018, the carrying amounts of the bank overdrafts and borrowings were denominated in the following currencies:

	2018 US\$'000	2017 <i>US\$'000</i>
Malaysian Ringgit	12,253	9,878

At 31 October 2018, the Group had aggregate banking facilities of approximately US\$22,517,000 (2017: US\$19,595,000) for loans and borrowings. Unused facilities as at the same date amounted to approximately US\$10,264,000 (2017: US\$9,717,000).

Notes:

- (i) Legal charges over freehold land and buildings of the Group (Note 13);
- (ii) Deposits with licensed banks of the Group (Note 19);
- (iii) Legal charge over a land held by a related company of the Group for the bank borrowings (Note 30(c)(iii)). The related company is controlled by the Controlling Shareholders; and
- (iv) Joint and several guarantees given by directors of the Company (Note 30(c)(ii)).

23. OBLIGATIONS UNDER FINANCE LEASES

As at 31 October 2018, the Group had obligations under finance leases repayable as follows:

	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	US\$'000	US\$'000	US\$'000	US\$'000
Within 1 year	70	75	71	80
After 1 year but within 2 years After 2 years but within 5 years	52 25	54 26	69 76	74 80
	77	80	145	154
	147	155	216	234
Less: total future interest expenses		(8)		(18)
Present value of lease obligations		147		216

24. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL **POSITION**

(a) Current taxation in the consolidated statement of financial position represents:

	2018 <i>U</i> S\$'000	2017 <i>US\$'000</i>
Income tax recoverable Income tax payable	1,069 (78)	221 (95)
	991	126

24. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

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(b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the years are as follows:

	Depreciation allowances in excess of depreciation US\$'000	Allowance for doubtful debts US\$'000	Unrealised foreign exchange gain US\$'000	Unrealised export allowance/ others US\$'000	Tax losses US\$'000	Total US\$'000
At 1 November 2016	224	(125)	78	_	-	177
Charge to profit or loss (Note 11(a))	70	68	3	-	_	141
Exchange realignment		2	(1)			1
At 31 October 2017 and						
1 November 2017	294	(55)	80	-	-	319
Charge/(credit) to profit						
or loss (Note 11(a))	(109)	45	(67)	(4)	(85)	(220)
Exchange realignment	7	(2)	4		4	13
At 31 October 2018	192	(12)	17	(4)	(81)	112

For the purpose of presentation, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2018	2017
	US\$'000	US\$'000
Deferred tax liabilities	112	319

(c) Deferred tax assets and liabilities not recognised:

There were no material unrecognised deferred tax assets and liabilities as at 31 October 2018 and 2017.

25. 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 (each share option will entitle the holder of the share option to subscribe for one new ordinary share of HK\$0.01 each) were granted on 26 January 2017 under the Scheme and 3,428,000 share options remained outstanding as at 31 October 2018. The closing price of the shares of the Company at the date of grant of share options was HK\$1.74. The option's fair value of approximately US\$379,000 was measured at grant date using the Binomial Option Pricing Model. For the year ended 31 October 2017, an amount of US\$379,000 was recognised as employee costs with a corresponding increase in share option reserve within equity.

25. SHARE OPTION SCHEME (Continued)

(a) The terms and conditions, number and exercise prices of share options granted on 26 January 2017 are as follows:

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Date of grant	At 1 November 2017	Lapsed during the year	Exercised during the year	Outstanding and exercisable at the end of the year	Exercise price HK\$	Vesting date	Exercisable period
Granted to directors 26 January 2017	750,000	-	-	750,000	1.764	Immediately vested	Within 5 years from grant date
Granted to employees 26 January 2017	3,754,000	(140,000)	(936,000)	2,678,000	1.764	Immediately vested	Within 5 years from grant date
	4,504,000	(140,000)	(936,000)	3,428,000			
Weighted average exercise price (HK\$)	1.764	1.764	1.764	1.764			
2017 Date of grant	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding and exercisable at the end of the year	Exercise price HK\$	Vesting date	Exercisable period
Granted to directors 26 January 2017	750,000	-	-	750,000	1.764	Immediately vested	Within 5 years from grant date
Granted to employees 26 January 2017	4,250,000	(352,000)	(144,000)	3,754,000	1.764	Immediately vested	Within 5 years from grant date
	5,000,000	(352,000)	(144,000)	4,504,000			
Weighted average exercise price (HK\$)	1.764	1.764	1.764	1.764			

The weighted average share price at the date of exercise for shares options exercised during the year was HK\$2.64 (2017: HK\$1.94). The weighted average remaining contractual life of the share options outstanding at 31 October 2018 was approximately 3.25 years (2017: 4.25 years).

Pursuant to the rules of the share option scheme, the options will lapse when the grantee ceases to be an employee of the Group for reasons other than death, ill-health or retirement.

25. SHARE OPTION SCHEME (Continued)

(b) Fair value of options and assumptions

The fair value of the options granted on 26 January 2017 was determined using the Binomial Option Pricing Model at the date of grant. The fair value of the options was approximately US\$379,000. The significant inputs into the model were based on following data:

Fair value at measurement date (US\$) 0.0758
Share price at grant date (HK\$) 1.74
Exercise price (HK\$) 1.764
Expected volatility 37.66%
Expected life 5 years
Risk-free rate 2.15%
Expected dividend yield 0%

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.

26. EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plan

The Group operates a Mandatory Provident Fund Scheme ("**the MPF scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

The employees of the Group's subsidiary in Malaysia are required to participate in a statutory Employees Provident Fund. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 6-13% (2017: 6-13%) of the relevant payroll costs to the scheme, which contribution is matched by employees.

The employees of the Group's subsidiary which operate in Singapore are required to participate in the Central Provident Fund operated by the local government. This Singapore subsidiary is required to contribute 7.5% to 17% (2017: 7.5% to 17%) of its basic payroll costs to the fund.

The total expense recognised in profits or loss of approximately US\$391,000 (2017: US\$197,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans (Note 7(b)).

27. CAPITAL AND RESERVES

(a) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

(b) Share capital

Ordinary shares of HK\$0.01 each

Authorised:

	No. of shares	Amount US\$'000
At 1 November 2016, 31 October 2017, 1 November 2017 and 31 October 2018	2,000,000,000	2,581
Issued and fully paid:		
	No. of shares	Amount US\$'000
At 1 November 2016 Issuance of new shares upon global offering (note i) Issuance of new shares upon exercising	187,500,000 62,500,000	242 80
of share option (Note 25(a))	144,000	
At 31 October 2017 and 1 November 2017	250,144,000	322
Issuance of new shares upon exercising of share option (Note 25(a))	936,000	2
At 31 October 2018	251,080,000	324

Note:

⁽i) 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) 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), before issuing expenses, were credited to share premium account.

27. CAPITAL AND RESERVES (Continued)

(c) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company. Under the Companies Law of Cayman Islands, the share premium account of the Company is distributable to the equity shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debt as they fall due in the ordinary course of business.

(d) Merger reserve

Merger reserve of the Group represents the difference between the nominal value of ordinary shares issued by the Company, and the issued share capital of Gemilang Coachwork and GML Coach exchanged in connection with the reorganisation.

(e) Exchange reserve

The exchange reserve represents foreign exchange differences arising from the translation of the financial statements of the overseas subsidiaries. The reserve is dealt with in accordance with the accounting policies set out in Note 3(t).

(f) Share option reserve

The share option reserve comprises the portion of the grant date fair value of unexercised share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in Note 3(p)(ii).

(g) Distributability of reserve

As at 31 October 2018, the aggregate amount of reserves available for distribution to equity shareholders of the Company was US\$15,595,000 (2017: US\$15,826,000).

(h) 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 year ended 31 October 2018.

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.

27. CAPITAL AND RESERVES (Continued)

(h) Capital management (Continued)

The Group monitors capital using, inter alias, 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 2018 and 2017 is as follows:

	2018 <i>U</i> S\$'000	2017 US\$'000
Obligations under finance leases Bank borrowings Bank overdrafts	147 9,651 2,602	216 7,259 2,619
	12,400	10,094
Less: Cash and bank balances	4,246	2,781
Net debt	8,154	7,313
Total equity	16,899	18,701
Net debt-to-equity ratio	48%	39%

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL **INSTRUMENTS**

Details of the significant accounting policies and methods adopted in respect of each class of financial assets and financial liabilities are disclosed in Note 3.

The Group has classified the financial instruments as follows:

	2018 <i>U</i> S\$'000	2017 <i>US\$'000</i>
Financial assets		
Loans and receivables		
Trade and other receivables	9,580	16,162
Pledged bank deposits	2,711	2,039
Cash and bank balances	4,246	2,781
	16,537	20,982
	2018	2017
	US\$'000	US\$'000
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade and other payables	14,066	15,043
Bank borrowings	9,651	7,259
Bank overdrafts	2,602	2,619
Obligations under finance leases	147	216
	26,466	25,137

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL **INSTRUMENTS** (Continued)

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

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

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 2018 and 2017, 75% and 55% the trade receivables respectively, were due from the Group's largest debtor; and 94% and 92% of the trade receivables respectively, were due from the Group's five largest debtors.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 18.

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(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 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 overdrafts and 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 obligations under finance leases is prepared on the scheduled repayment dates.

As at 31 October 2018

	Carrying amount US\$'000	Total contractual undiscounted cash flows US\$'000	On demand or less than 1 year US\$'000	Between 1 and 2 years US\$'000	Over 2 but less than 5 years US\$'000	Over 5 years U\$\$'000
Non-derivative financial liabilities						
Trade and other payables	14,066	14,066	14,066	-	-	-
Bank borrowings	9,651	9,651	9,651	-	-	-
Bank overdrafts	2,602	2,602	2,602	_	-	-
Obligations under finance leases	147	155	75	54	26	
	26,466	26,474	26,394	54	26	

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL **INSTRUMENTS** (Continued)

(b) Liquidity risk (Continued)

As at 31 October 2017

	Carrying amount US\$'000	Total contractual undiscounted cash flows US\$'000	On demand or less than 1 year US\$'000	Between 1 and 2 years US\$'000	Over 2 but less than 5 years US\$'000	Over 5 years US\$'000
Non-derivative financial liabilities						
Trade and other payables	15,043	15,043	15,043	_	_	_
Bank borrowings	7,259	7,259	7,259	_	_	_
Bank overdrafts	2,619	2,619	2,619	-	_	_
Obligations under finance leases	216	234	80	74	80	
	25,137	25,155	25,001	74	80	_

The table below summarises the maturity analysis of bank overdrafts and 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 overdrafts and borrowings subject to a repayment on demand clause based on scheduled repayments

	Within 1 year <i>US</i> \$'000	More than 1 year but less than 2 years US\$'000	More than 2 years but less than 5 years US\$'000	More than 5 years US\$'000	Total outflows US\$'000
At 31 October 2017 At 31 October 2018	9,722 12,146	67 68	220 153	-	10,009 12,367

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL **INSTRUMENTS** (Continued)

(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 overdrafts and borrowings. Bank overdrafts and borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Malaysia Basic Lending rate from the Group's overdrafts and borrowings denominated in Malaysia Ringgit.

The interest rate profile of the Group's bank overdrafts and borrowings was:

	Effective interest rate %	2018 US\$'000	Effective interest rate %	2017 US\$'000
Variable rate instruments Financial liabilities - Bank overdrafts (see Notes 20 and 22) - Bank borrowings (see Note 22)	5.2 7.3	2,602 9,651	6.5 7.1	2,619 7,259
		12,253		9,878

As at 31 October 2018 and 2017, it is estimated that a general increase/decrease of 25 basis points (2017: 25 basis points) in interest rates for bank overdrafts and borrowings with all other variables held constant, would increase/decrease (2017: decrease/increase) the Group's (loss) (2017: profit) for the year and decrease/increase the retained earnings by approximately US\$23,000 and US\$19,000, 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 year ended 31 October 2017.

(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.

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL **INSTRUMENTS** (Continued)

(d) Foreign currency exchange risk (Continued)

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 entity 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 2018					
	United States dollars US\$'000	Singapore dollars US\$'000	Euro US\$'000	Australian dollars US\$'000	Hong Kong dollars US\$'000	
Financial assets						
Trade and other receivables	1,051	7,025	_	811	_	
Cash and bank balances	39	7,025 3,494	_	110	_	
Cash and Dank Dalances	39	3,494	_	110	_	
Financial liability						
Trade and other payables	_	(1,051)	(280)	(932)	(440)	
,						
	1,090	9,468	(280)	(11)	(440)	
		31	1 October 2017			
	United					
	States	Singapore		Australian	Hong Kong	
	dollars	dollars	Euro	dollars	dollars	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
Financial assets						
Trade and other receivables	2,010	854	_	8,396		
Cash and bank balances	2,010	1	_	350		
Cash and Dank Dalances	5	1	_	330		
Financial liability						
Trade and other payables	(90)	(1,696)	(248)	(4,312)	(530)	
	1,925	(841)	(248)	4,434	(530)	
	1,120	(5.1)	(= :0)	-,,,,,,	(230)	

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Foreign currency exchange risk (Continued)

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's (loss)/profit after tax (and retained earnings) 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 2018			As at 31 O	ctober 2017
	Increase/ (decrease) in foreign exchange rate	Effect on loss after taxation US\$'000	Effect on retained earnings US\$'000	Increase/ (decrease) in foreign exchange rate	Effect on profit after taxation and retained earnings US\$'000
United States dollars	9%	(75)	75	8%	117
	(9%)	75	(75)	(8%)	(117)
Singapore dollars	6%	(432)	432	5%	(32)
	(6%)	432	(432)	(5%)	32
Euro	7%	15	(15)	11%	(21)
	(7%)	(15)	15	(11%)	21
Australian dollars	11%	1	(1)	8%	269
	(11%)	(1)	1	(8%)	(269)
Hong Kong dollars	10%	33	(33)	8%	(32)
	(10%)	(33)	33	(8%)	32

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' (loss)/profit after taxation and equity measured in the respective functional currency, translated into 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 the Company and overseas subsidiaries 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 2018 and 2017.

29. OPERATING LEASES

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 consolidated statement of profit or loss and other comprehensive income during the year are disclosed in Note 7(c).

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

	2018 US\$'000	2017 US\$'000
Not later than 1 year After 1 year but within 5 years	367 634	242 77
	1,001	319

30. 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.

Name of party	Relationship with the Group
Gemilang Australia Pty Ltd.	An associate company of the Company
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
CP Excel Auto Tech Pte. Ltd.	A company controlled by close family members of a director
GML Technologies Sdn. Bhd.	A company controlled by the Controlling Shareholders

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30. RELATED PARTY TRANSACTIONS (Continued)

(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 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2018 US\$'000	2017 <i>US\$'000</i>
Short-term employee benefits Post-employment benefits Share-based payments	1,328 128 	1,001 96 90
	1,456	1,187

(b) Financing arrangements with related parties

As at 31 October 2018, the Group has the following balances with related parties:

	Notes	2018 US\$'000	2017 US\$'000
Amounts due from/(to) related companies - SW Excel Tech Engineering Sdn. Bhd. - P&P Excel Car Air-Conditioning Sdn. Bhd. - P&P Excel Tech Engineering Sdn. Bhd. - GML Technologies Sdn. Bhd. - CP Excel Auto Tech Pte. Ltd.	(i), (ii) (i), (ii) (i), (ii) (i), (ii) (i), (ii)	3 6 (98) - 21	- 5 (57) (26) -
		(68)	(78)
Amount due (to) an associate - Gemilang Australia Pty Ltd.	(i), (ii)	(361)	(2,955)

Notes:

⁽i) The outstanding with these parties are unsecured, interest-free and repayable on demand.

⁽ii) The outstanding balances are included in trade and other receivables (Note 18) and trade and other payables (Note 21).

30. RELATED PARTY TRANSACTIONS (Continued)

(c) Other related party transactions

(i) During the year ended 31 October 2018, the Company entered into the following material related party transactions:

Continuing transactions

	2018 <i>U</i> S\$'000	2017 US\$'000
Sales of parts and services - Gemilang Australia Pty Ltd - P&P Excel Car Air-Conditioning Sdn. Bhd. - SW Excel Tech Engineering Sdn. Bhd.	246 1 3	443
	250	443
Purchases of parts and services - P&P Excel Car Air-Conditioning Sdn. Bhd. - P&P Excel Tech Engineering Sdn. Bhd - CP Excel Auto Tech Pte. Ltd.	181 186	3 113
	367	116
Commission expenses - Gemilang Australia Pty Ltd	4,711	5,591

- (ii) The directors of the Company have provided their joint and several guarantees to banks for the banking facilities granted to the Group during the years ended 31 October 2018 and 2017 (Note 22).
- (iii) A land held by a related company is pledged with a bank for the Group's borrowings as at 31 October 2018 and 2017 (Note 22). The related company is controlled by the Controlling Shareholders.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2018

31. CONTINGENT LIABILITIES

Performance bonds

	2018 US\$'000	2017 US\$'000
Performance bonds for contracts in favour of customers	7,144	5,140

The above performance bonds were given by banks in favour of some of the 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.

32. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of reporting period,順鋁(上海)汽車科技有限公司, an indirect wholly-owned subsidiary of the Company entered into a joint venture agreement with Celestial Glow Limited, an investment holding company, and 上海北斗新能源有限公司 ("Beidou"), all being independent third parties, pursuant to which the parties to the said joint venture agreement agreed to establish a joint venture company in Shanghai, the PRC. 順鋁(上海)汽車科 技有限公司, Beidou and Celestial Glow Limited would be expected to own 40%, 40% and 20% of the equity interest respectively in the joint venture company.

33. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION

	2018 US\$'000	2017 <i>US\$'000</i>
Non-current asset		
Investments in subsidiaries	8,238	8,238
Loan to a subsidiary	7,087	7,087
	15,325	15,325
Current assets		
Deposits and prepayments	4	10
Amounts due from subsidiaries	775	330
Cash and cash equivalents	100	769
	879	1,109
Current liabilities		
Other payable	285	237
Provision for taxation		49
	285	286
Net current assets	594	823
NET ASSETS	15,919	16,148
CAPITAL AND RESERVES		
Share capital	324	322
Reserve	15,595	15,826
TOTAL EQUITY	15,919	16,148

33. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION (Continued)

Movements in the Company's reserves:

	Share premium US\$'000	Capital reserve US\$'000 (Note)	Share Option reserve US\$'000	Accumulated losses US\$'000	Total US\$'000
At 4 November 0040	1 001	0.000		(0.000)	7.500
At 1 November 2016	1,691	8,238	_	(2,369)	7,560
Issue of new shares by the Company upon global offering	10,229				10,229
Share issue expenses	(1,112)	_	_	_	(1,112)
Recognition of equity-settled	(1,112)	_	_	_	(1,112)
share-based payment			379		379
Exercise of share options	43	_	(10)	_	33
Lapse of share options	40	_	(27)	_ 27	00
Loss for the year and total	_	_	(21)	21	_
comprehensive loss				(1,263)	(1,263)
At 31 October 2017	10,851	8,238	342	(3,605)	15,826
At 1 November 2017	10,851	8,238	342	(3,605)	15,826
Exercise of share options	281	_	(71)	_	210
Lapse of share options	_	_	(11)	11	_
Profit for the year and total			,		
comprehensive income	_	_	_	526	526
Dividends paid	(967)				(967)
At 31 October 2018	10,165	8,238	260	(3,068)	15,595

Note: Capital reserve represented the difference between the nominal value of the issued share capital of the Company and the net asset value of subsidiaries upon the reorganisation.