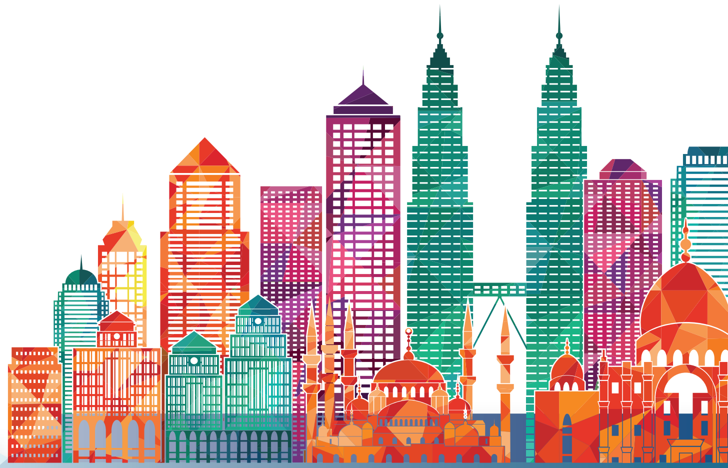
Gemilang International Limited
彭 順 國 際 有 限 公 司

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



Interim Report 2019

Contents

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 (resigned on 24 May 2019)
Ms. Chan Yuen Mui (appointed on 24 May 2019)

AUTHORISED REPRESENTATIVE UNDER PART 16 OF THE COMPANIES ORDINANCE

Mr. Yeung Chin Wai (resigned on 24 May 2019)
Ms. Chan Yuen Mui (appointed on 24 May 2019)

AUTHORISED REPRESENTATIVES UNDER LISTING RULES

Ms. Phang Huey Shyan
Mr. Yeung Chin Wai (resigned on 24 May 2019)
Ms. Chan Yuen Mui (appointed on 24 May 2019)

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
Malaysia

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

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

PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Conyers 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

Room 1602, 16/F
Park Commercial Centre
180 Tung Lo Wan Road
Causeway Bay
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
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CUSTOMER SERVICES

Tel: (852) 3596 7823
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Management Discussion and Analysis

The board (the "**Board**") of directors (the "**Directors**") of Gemilang International Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 April 2019 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2018.

BUSINESS REVIEW

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

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

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

The Group delivered a total of 229 buses (CBUs*) and 2 units of CKDs* to our customers during the Reporting Period.

**Notes:*

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

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

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

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

Sales of bus bodies segment

	Revenue from external customers For the six months ended 30 April	
	2019	2018
	US$'000	*US$'000*
Malaysia (place of domicile)	**–**	58
Singapore	**25,865**	903
Hong Kong	**3,692**	2,220
Australia	**3,516**	8,021
People's Republic of China	**–**	103
Others	**307**	1,199
	33,380	12,504

The sales of bus bodies segment is our major source of income for our Group, with the sales of whole buses as the major product contributing over 95.5% of revenue for the Reporting Period. The revenue generated from this segment amounted to approximately US$33.38 million during the Reporting Period, representing an increase of approximately 167.0% compared to the corresponding period in 2018 of approximately US$12.50 million. The increase in revenue in this segment was attributable to the significant increase in delivery of whole buses to Singapore, which was offset by a decrease in delivery of whole buses to Australia during the Reporting Period. During the Reporting Period, the Group had delivered 182 units of whole buses to a customer in Singapore.

Sales of parts and provision of relevant services segment

	Revenue from external customers For the six months ended 30 April	
	2019	2018
	US$'000	*US$'000*
Malaysia (place of domicile)	**48**	90
Singapore	**1,292**	844
Hong Kong	**32**	23
Australia	**34**	279
India	**–**	98
People's Republic of China	**–**	154
Others	**149**	115
	1,555	1,603

The sales of parts and provision of relevant services segment is our secondary source of income, in which its revenue was mainly generated from providing after-sales service and sales of parts to our customers. The revenue generated from this segment amounted to approximately US$1.56 million during the Reporting Period representing an decrease of approximately 3.0% as compared with approximately US$1.60 million for the corresponding period in 2018.

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

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

OUTLOOK

The Group had been able to maintain our market position in Asia, with the continuous support from our customers in the region. The Group believes in maintaining the top quality products to be the leading bus manufacturing solution provider. We will continue to innovate and provide high technology and quality products and solutions to our customers.

During the Reporting Period, the Group had experienced growth in our revenue. The Board remains confident in the financial performance of the Group for the financial year ending 31 October 2019, according to the delivery schedule of our confirmed sales orders from our customers, we expect to deliver whole buses to Singapore, Australia, Dubai and Hong Kong in the second half of the financial year.

OPERATING RESULTS AND FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group recorded a revenue of approximately US$34.94 million, representing a significant increase of approximately 147.6% as compared with approximately US$14.11 million for the corresponding period in 2018. Such significant increase was attributable to the significant increase in delivery of double deck buses in Singapore, which was offset by a decrease in delivery of whole buses to Australia during the Reporting Period as compared to the corresponding period in 2018.

By product category

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

	For the six months ended 30 April			
	2019		2018	
	US$'000	%	US$'000	%
Bus				
CBU				
– City Bus	33,290	95.3	11,078	78.5
– Coach	–	–	124	0.9
Bus Body				
CKD				
– City Bus	90	0.3	103	0.7
SKD				
– City Bus	–	–	1,199	8.5
Maintenance and aftersales service	1,555	4.4	1,603	11.4
TOTAL	34,935	100.0	14,107	100.0

By geographical location

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

	Revenues from external customers For the six months ended 30 April	
	2019	2018
	US$'000	*US$'000*
Malaysia (place of domicile)	**48**	148
Singapore	**27,157**	1,747
Hong Kong	**3,724**	2,243
Australia	**3,550**	8,300
People's Republic of China	**–**	257
Others	**456**	1,412
	34,935	14,107

Gross profit and gross profit margin

Our gross profit was approximately US$7.13 million and US$3.25 million for the six months ended 30 April 2019 and 2018, respectively. Our gross profit margin was approximately 20.4% and 23.0% for the six months ended 30 April 2019 and 2018, respectively. The decrease of gross profit margin during the six months ended 30 April 2019 was due to an increase in contractor wages in relation to tight production schedule to cope with the commitment in delivering 229 units of whole buses in the Reporting Period, which is consistent with our production planning.

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$1.48 million or 46.9% from approximately US$3.16 million for six months period ended 30 April 2018 to approximately US$1.68 million in the Reporting Period. Such decrease was driven mainly by the decrease in commission payable for whole buses delivery to Australia which is in line with the decrease in number of whole buses delivered to Australia during the Reporting Period. Furthermore, due to the change in mode of business operation with Gemilang Australia Pty Limited ("**GMLA**") since April 2019, the Group sells whole buses to GMLA instead of selling to end customers in Australia and New Zealand, therefore it is expected that commission expenses will drop significantly especially to GMLA upon this change since April 2019.

General and administrative expenses

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

Our general and administrative expenses increased by approximately US$0.86 million or 41.5% from approximately US$2.08 million for the six months ended 30 April 2018 to US$2.95 million during the Reporting Period. Such increase is mainly attributable to increase in provision for expected credit loss.

Income tax expenses

In the Reporting Period, the income tax expense increased by approximately US$0.92 million as compared with the six months period ended 30 April 2018. The increase was in line with the increase in the Group's profit as compared to the period ended 30 April 2018. The effective tax rate for the period ended 30 April 2018 and 2019 was -0.7% and 42.5%, respectively. A higher effective tax rate in the period ended 30 April 2019 was a result of certain non-deductible administrative expenses such as corporate expenses and legal and professional fees.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Cash flow

For the six months ended 30 April 2019, the Group's working capital was financed by bank loans.

Net current assets

The Group's net current assets amounted to approximately US$9.21 million as at 30 April 2019, as compared to approximately US$8.13 million as at 31 October 2018. As at 30 April 2019, the Group's current ratio was approximately 1.37, as compared to approximately 1.27 as at 31 October 2018.

Cash and cash equivalents, bank deposits and bank loans

As at 30 April 2019, cash and cash equivalents of the Group was approximately US$2.28 million, as compared to approximately US$1.64 million as at 31 October 2018. As at 30 April 2019, the Group had pledged bank deposits of approximately US$3.24 million, as compared to approximately US$2.71 million as at 31 October 2018. The bank borrowings of the Group decreased by approximately 17.6% to approximately US$7.95 million as at 30 April 2019 from approximately US$9.65 million as at 31 October 2018.

Gearing ratio

As at 30 April 2019, the gearing ratio (calculated by dividing obligations under finance leases, bank borrowings and bank overdrafts less cash and bank balance by total equity as at the end of the year/period) of the Group decreased to approximately 33.1% from approximately 48.3% as at 31 October 2018, primarily attributable to the decrease in bank borrowings and increase in total equity of the Group.

Capital expenditures

For the six months ended 30 April 2019, the Group had capital expenditure of approximately US$0.12 million, as compared to approximately US$0.07 million for the six months ended 30 April 2018. The expenditure was mainly related to the purchase of plants and machineries as part of expansion of the facility.

Significant investments

As at 30 April 2019, the Group did not have any significant investments.

Commitments

As at 30 April 2019, the Group's capital commitments amounted to approximately US$178,173. As at 30 April 2019, the Group's operating lease commitments amounted to approximately US$0.93 million, as compared with approximately US$1.00 million as at 31 October 2018.

Material investments or capital assets

As at 30 April 2019, the Group did not hold any material investment. There was no specific plan for material investments or capital assets as at 30 April 2019.

Material acquisitions or disposals

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

Foreign exchange risk

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

Charges on assets

As at 30 April 2019, pledged bank deposits of approximately US$3.24 million (31 October 2018: US$2.71 million) as disclosed in the condensed consolidated statement of financial position have been pledged to banks as security for banking facilities granted to the Group. The net book value of the following assets were pledged to secure certain banking facilities granted to the Group:

	As at 30 April 2019 *US$'000*	As at 31 October 2018 *US$'000*
Freehold land	**1,785**	1,838
Buildings	**4,384**	4,427
	6,169	6,265

Contingent liabilities

As at 30 April 2019, the Group had the following contingent liabilities:

Performance bonds

	As at 30 April 2019 *US$'000*	As at 31 October 2018 *US$'000*
Performance bonds for contracts in favour of customers	**3,360**	7,144

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.

INTERIM DIVIDEND

The Board declared an interim dividend of HK$0.03 (2018: nil) per share for the six months ended 30 April 2019 to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 12 July 2019. The interim dividend will be paid on or about Thursday, 8 August 2019.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 April 2019, the total number of full-time employees of the Group was approximately 294 (31 October 2018: 304). The Group recruits, employs, remunerates and promotes its employees based on their qualifications, experience, skills, performance and contributions. Remuneration is offered with reference to market rates. Salary and/or promotion review is conducted upon performance appraisal by management on a regular basis. Discretionary year-end bonus and share options, if applicable, are granted to eligible employees, in accordance with the Group's performance and individual's contribution. Ample in-house orientation and on-the-job training are arranged for the employees all year around. Employees are always encouraged to attend job-related seminars, courses and programs organised by professional or educational institutions in Malaysia, Hong Kong or other jurisdictions.

EVENTS AFTER THE REPORTING PERIOD

Disposal of an associated company

Subsequent to the Reporting Period on 27 May 2019, Gemilang Asia Pacific Limited (the "**Vendor**"), a wholly owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the "**Sale and Purchase Agreement**") with an independent third party, pursuant to which the Vendor agreed to conditionally sell the entire 50% equity interest in GMLA, at a cash consideration of AUD 71,500 (representing approximately US$50,337). The disposal of GMLA was completed on 3 June 2019. Upon completion of the disposal, GMLA ceased to be an associated company of the Group.

Update on 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 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. Despite 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 announcement, 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.

Defendant 2 has applied for second extension on the judicial management in the High Court of Malaya at Shah Alam in May 2019 for 2 months and the extension was approved.

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

USE OF PROCEEDS FROM GLOBAL OFFERING

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

Use of net proceeds	Planned amount as stated in the Prospectus[(1)] *US$ million*	Actual amount utilised up to 30 April 2019 *US$ million*	Actual balance as at 30 April 2019 *US$ million*
Construction of the new facility in Senai, Malaysia	4.70	(3.70)	1.00
Upgrading and acquiring machines	0.89	(0.61)	0.28
Repayment of bank loans	2.39	(2.39)	–
Working capital	0.79	(0.79)	–
Total	8.77	(7.49)	1.28

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

As at 30 April 2019, the interests or short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) as recorded in the register required to be kept under section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in the ordinary shares of the Company (the "Shares")

Name of Shareholders	Capacity/ Nature of interests	Total number of Shares and underlying Shares held(1)	Approximate percentage of issued share capital
Mr. Phang Sun Wah	Interest in a controlled corporation(2)	82,078,125 (L)	32.69%
	Interest held jointly with Mr. Pang Chong Yong(4)	82,328,125 (L)	32.79%
	Beneficial Interest(6)	570,000 (L)	0.22%
	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)	82,768,125 (L)	32.96%
	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 65.75% 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 30 April 2019, none of the Directors and chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 April 2019, to the best knowledge of the Directors, the interests or short positions of the persons, other than the Directors or chief executives of the Company, in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the ordinary Shares

Name of Shareholders	Capacity/ Nature of interests	Total number of Shares and underlying Shares held[(1)(5)]	Approximate percentage of issued share capital
Sun Wah Investments Limited	Beneficial owner	82,078,125 (L)	32.69%
Golden Castle Investments Limited	Beneficial owner	82,078,125 (L)	32.69%
Ms. Chew Shi Moi	Interest of spouse[(2)(3)]	164,976,250 (L)	65.70%
	Beneficial owner	120,000 (L)	0.05%
Ms. Low Poh Teng	Interest of spouse[(2)(4)]	165,096,250 (L)	65.75%

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

(2) Pursuant to the confirmatory deed in relation to parties acting in concert dated 20 July 2016 and signed by Mr. Phang Sun Wah and Mr. Pang Chong Yong, Mr. Phang Sun Wah and Mr. Pang Chong Yong are parties acting in concert (having the meaning ascribed to it under Takeovers Code). As such, Mr. Phang Sun Wah and Mr. Pang Chong Yong will together control 65.75% of the entire issued share capital of the Company.

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

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

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

Save as disclosed herein, as at 30 April 2019, the Directors were not aware of any person (other than the Directors and chief executive of the Company) who had an interest and short position in Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

During the six months ended 30 April 2019 and up to the date of this interim report, none of the Directors or their respective associates (as defined in the Listing Rules) had any interest in any business which were in competition or were likely to compete, either directly or indirectly with the Group's business which needs to be disclosed pursuant to Rule 8.10 of the Listing Rules.

SHARE OPTION SCHEME

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

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable our Company to grant options to the employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner of our Company or any subsidiary (including any director of our Company or any subsidiary) who is in full-time or part-time employment with or otherwise engaged by our Company or any subsidiary at the time when an option is granted to such employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner or any person who, in the absolute discretion of the Board (the "**Eligible Participants**"), has contributed or may contribute to our Group as incentive or reward for their contribution to our Group to subscribe for the Shares thereby linking their interest with that of our Group.

(b) Grant and acceptance of options

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years after the adoption date of the Share Option Scheme to make an offer to any Eligible Participants as the Board may in its absolute discretion select to subscribe for such number of Shares as the Board may determine. An offer shall be made to an Eligible Participant in writing in such form as our Directors may from time to time determine and shall remain open for acceptance by the Eligible Participant concerned for a period of 21 days from the date upon which it is made provided that no such offer shall be open for acceptance after the 10th anniversary of the adoption date of the Share Option Scheme or the termination of the same.

An offer shall be deemed to have been accepted by an Eligible Participant concerned in respect of all Shares which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the offer duly signed by the Eligible Participant, together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant thereof is received by our Company within 21 days from the date of offer or within such time as may be determined by the Board.

Any offer may be accepted by an Eligible Participant in respect of less than the total number of Shares which are offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof.

(c) Subscription price of Shares

The subscription price for Shares under the Share Option Scheme shall be determined at the discretion of our Directors but in any event will not be less than the highest of (a) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the offer date of the particular option, which must be a business day; (b) the average closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the offer date of that particular option; and (c) the nominal value of a Share on the offer date of the particular option.

(d) Maximum number of Shares

(i) Subject to (ii) below, the maximum number of Shares in respect of which options may be granted at any time under the Share Option Scheme together with options which may be granted under any other share option schemes for the time being of our Company shall not in aggregate exceed such number of Shares as equals 10 per cent of the issued share capital of our Company at 11 November 2016 (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 11 November 2016, the relevant limit will be 25,000,000 Shares which represent 10% of the issued Shares at 11 November 2016.

Our Company may seek approval by its Shareholders in general meeting to refresh the Scheme Mandate Limit provided that the total number of Shares available for issue upon exercise of all options which may be granted under the Share Option Scheme and any other schemes of our Group must not exceed 10 per cent of the issued share capital of our Company at the date of approval of refreshing of the Scheme Mandate Limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Group (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes or exercised options) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send a circular to the Shareholders containing the information required under the Listing Rules.

Our Company may authorise the Directors to grant options to specified Eligible Participants beyond the Scheme Mandate Limit if the grant of such options is specifically approved by the Shareholders in general meeting. In such case, the Company must send a circular to the Shareholders in connection with the general meeting at which their approval will be sought containing a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the option to be granted, the purpose of granting options to the specified Participants with an explanation as to how the terms of the options serve such purpose, the information and the disclaimer required under the Listing Rules and such further information as may be required by the Stock Exchange from time to time.

(ii) The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Group must not exceed 30 per cent of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Group if this will result in the limit being exceeded.

(iii) Unless approved by the Shareholders in the manner set out below, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to each grantee (including both exercised and outstanding options) in any 12-month period must not exceed 1 per cent of the Shares in issue. Where any further grant of options to an Eligible Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1 per cent of the Shares in issue, such further grant must be separately approved by Shareholders in general meeting with such Eligible Participant and his close associates (or his associates if the Eligible Participant is a connected person) abstaining from voting. Our Company must send a circular to its Shareholders and the circular must disclose the identity of the Eligible Participant, the number and terms of the options to be granted (and options previously granted to such Eligible Participant), and such information as may be required under the Listing Rules from time to time. The number and terms (including the subscription price) of options to be granted to such Eligible Participant must be fixed before Shareholders' approval and the date of meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(iv) The exercise of any option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company. Subject thereto, our Directors shall make available sufficient of the then authorised but unissued share capital of our Company to allot the Shares on the exercise of any option.

(e) Exercise of options

An option may be exercised at any time during the period to be determined and identified by the Board to each grantee at the time of making an offer for the grant of an option, but in any event no later than 10 years from the date of grant.

Subject to terms of the Share Option Scheme, an option shall be exercisable in whole or in part in the circumstances by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is so exercised. Each such notice must be accompanied by a remittance for the full amount of the subscription price for Shares in respect of which the notice is given. After receipt of the notice and the remittance and, where appropriate, receipt of the auditors' certificate, the Company shall within 30 days of the date upon which an option is effectively exercised (being the date of such receipt by the secretary of the Company) allot the relevant Shares to the grantee (or his personal representative(s)) credited as fully paid and instruct the relevant share registrar to issue to the grantee (or his personal representative(s)) a share certificate in respect of the Shares so allotted.

Though there is no specified minimum period under the Share Option Scheme for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms and conditions of the Share Option Scheme, our Directors may make such grant of options, subject to such terms and conditions in relation to the minimum period of such options to be held and/or the performance targets to be achieved as our Directors may determine in their absolute discretion.

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

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

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

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

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

Name of Grantee	Capacity	Number of Share Options granted
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 balancing 3,840,000 Share Options were granted to the employees of the Group located in Hong Kong and Malaysia.

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

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

A total of 5,000,000 share options were granted on 26 January 2017 under the Share Option Scheme and 3,276,000 share options remained outstanding as at 30 April 2019 with 152,000 share options have been lapsed during the Reporting Period.

The table showing movements in the Company's share options held by each of the directors and the employees of the Company in aggregate granted under the Share Option Scheme of the Company during the six months ended 30 April 2019 is disclosed at note 15 to the financial statement in this Interim Report.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited consolidated interim results and the interim report of the Company for the six months ended 30 April 2019 and agreed to the accounting principles and practices adopted by the Company.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the period ended 30 April 2019
(Expressed in United States Dollars)

		For the six months ended 30 April	
		2019	2018
		(Unaudited)	(Unaudited)
	Note	***US$'000***	*US$'000*
Revenue	3	**34,935**	14,107
Cost of sales		**(27,808)**	(10,859)
Gross profit		**7,127**	3,248
Other revenue		**26**	91
Other net income		**344**	11
Selling and distribution expenses		**(1,678)**	(3,158)
General and administrative expenses		**(2,945)**	(2,081)
Profit/(loss) from operations		**2,874**	(1,889)
Finance costs	4a	**(376)**	(279)
Share of (loss) of an associate		**(300)**	(113)
Profit/(loss) before taxation	4	**2,198**	(2,281)
Income tax	6	**(935)**	(16)
Profit/(loss) for the period attributable to the equity owners of the Company		**1,263**	(2,297)
Other comprehensive (loss)/income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of overseas subsidiaries		**(335)**	1,379
Total comprehensive income/(loss) for the period attributable to equity owners of the Company		**928**	(918)
Earnings/(loss) per share			
– Basic (US cents per share)	7	**0.50**	(0.92)
– Diluted (US cents per share)	7	**0.50**	(0.92)

Condensed Consolidated Statement of Financial Position

As at 30 April 2019
(Expressed in United States Dollars)

	Note	As at 30 April 2019 (Unaudited) US$'000	As at 31 October 2018 (Audited) US$'000
Non-current assets			
Property, plant and equipment	8	**8,040**	8,094
Intangible assets		**327**	323
Interest in an associate	9	**38**	545
Deferred tax assets		**90**	–
		8,495	8,962
Current assets			
Inventories		**16,662**	17,738
Trade and other receivables	10	**10,877**	12,240
Tax recoverable		**1,157**	1,069
Pledged bank deposits	11	**3,238**	2,711
Cash and bank balances		**2,284**	4,246
		34,218	38,004
Current liabilities			
Trade and other payables	12	**13,012**	17,477
Bank borrowings	13	**7,949**	9,651
Bank overdrafts		**–**	2,602
Obligations under finance leases		**70**	70
Provision for taxation		**129**	78
Contract liabilities		**3,847**	–
		25,007	29,878
Net current assets		**9,211**	8,126
Total assets less current liabilities		**17,706**	17,088
Non-current liabilities			
Obligations under finance leases		**90**	77
Deferred tax liabilities		**–**	112
		90	189
Net assets		**17,616**	16,899
Capital and reserves			
Share capital		**324**	324
Reserves		**17,292**	16,575
Total equity attributable to owners of the Company		**17,616**	16,899

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 April 2019
(Expressed in United States Dollars)

	Attributable to equity owners of the Company						
	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Exchange reserve US$'000	Share option reserve US$'000	Retained earnings US$'000	Total US$'000
At 1 November 2017 (Audited)	322	10,851	679	(845)	342	7,352	18,701
Loss for the period	–	–	–	–	–	(2,297)	(2,297)
Other comprehensive income for the period							
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	1,379	–	–	1,379
Total comprehensive loss for the period	–	–	–	1,379	–	(2,297)	(918)
Exercise of share options *(Note 15)*	1	259	–	–	(65)	–	195
Lapse of share options *(Note 15)*	–	–	–	–	(6)	6	–
Dividend paid *(Note 5)*	–	(967)	–	–	–	–	(967)
At 30 April 2018 (Unaudited)	323	10,143*	679*	534*	271*	5,061*	17,011
At 1 November 2018 (Audited)	324	10,165	679	(446)	260	5,917	16,899
Profit for the period	–	–	–	–	–	1,263	1,263
Other comprehensive income for the period							
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	(335)	–	–	(335)
Total comprehensive income for the period	–	–	–	(335)	–	1,263	928
Lapse of share options *(Note 15)*	–	–	–	–	(11)	11	–
At 30 April 2019 (Unaudited)	324	10,165*	679*	(781)*	249*	6,980*	17,616

* These reserve accounts comprise consolidated reserves of approximately US$17,292,000 (2018: US$16,688,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 April 2019
(Expressed in United States Dollars)

	For the six months ended 30 April	
	2019	2018
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Net cash generated from operating activities	**3,400**	878
Investing activities		
Interest received	**26**	23
Proceeds from disposal of property, plant and equipment	**–**	4
Payment for purchase of plant and equipment	**(73)**	(74)
Payment for purchase of intangible assets	**–**	(41)
Net cash (used in) investing activities	**(47)**	(88)
Financing activities		
(Increase)/decrease in pledged bank deposits	**(497)**	185
Proceeds from bank borrowings	**18,354**	9,747
Repayment of bank borrowings	**(20,177)**	(10,202)
Repayment of finance lease payables	**(37)**	(37)
Interest expenses	**(376)**	(279)
Proceeds from shares issued by the Company	**–**	195
Dividend paid	**–**	(967)
Net cash (used in) financing activities	**(2,733)**	(1,358)
Net increase/(decrease) in cash and cash equivalents	**620**	(568)
Effects of foreign exchange translation	**20**	(47)
Cash and cash equivalents at beginning of the period	**1,644**	162
Cash and cash equivalents at the end of the period	**2,284**	(453)
Cash and cash equivalents at the end of the period, represented by		
Cash and bank balances	**2,284**	2,651
Bank overdrafts	**–**	(3,104)
	2,284	(453)

1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding. The principal activity of the Group is engaged in assembling and selling of aluminium and steel buses and manufacturing bus bodies. As at 30 April 2019, the directors consider that the Company is ultimately controlled by Mr. Phang Sun Wah and Mr. Pang Chong Yong (the "**Controlling shareholders**").

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated financial statements for the six months ended 30 April 2019 comprises the Company and its subsidiaries (together referred to as the "**Group**") and the Group's interest in an associate.

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

The condensed consolidated financial statements have been prepared on a going concern basis as at 30 April 2019, as the directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration the ability to generate funds internally.

The condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 October 2018.

Principal accounting policies

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 April 2019 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 31 October 2018.

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

Principal accounting policies (continued)

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 40	Transfers of Investment Property
Amendments to HKFRSs	Annual Improvements HKFRSs 2014-2016 Cycle
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

Other than HKFRS 9 "Financial Instruments" ("**HKFRS 9**") and HKFRS 15 "Revenue from Contracts with Customers" ("**HKFRS 15**"), the application of the above new standards, amendments and interpretation which are effective for the financial period beginning on 1 January 2018 had no material impact to the Group's condensed consolidated financial statements.

2.1 Impact on the condensed consolidated financial statements

As explained in notes 2.2 and 2.3 below, HKFRS 9 and HKFRS 15 were generally adopted without restating comparative information. As a result of the changes in the Group's accounting policies, certain reclassifications and adjustments are therefore not reflected in the condensed consolidated financial statements for the year ended 31 October 2018, but are recognised in the opening balance of the condensed consolidated financial statements on 1 November 2018. The adjustments are explained in more details below.

2.2 HKFRS 9 "Financial Instruments"

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement" ("**HKAS 39**"). It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 November 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 November 2018. Therefore, comparative information continues to be reported under HKAS 39.

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

2.2 HKFRS 9 "Financial Instruments" (continued)

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("**FVOCI**") and at fair value through profit or loss ("**FVPL**"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI. Changes in the fair value of the investment (including interest) are recognised in profit or loss.

The classification and carrying amounts for the Group's financial assets and financial liabilities at 1 November 2018 have not been impacted by the initial application of HKFRS 9.

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit loss ("**ECL**") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the financial assets measured at amortised cost (including cash and cash equivalents, pledged bank deposits and trade and other receivables).

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

2.2 HKFRS 9 "Financial Instruments" (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls of trade and other receivables and contract assets are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– Lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instrument, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

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

2.2 HKFRS 9 "Financial Instruments" (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial asset's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

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

2.2 HKFRS 9 "Financial Instruments" (continued)

Significant increases in credit risk (continued)

Impact on retained profits

The impact of transition to HKFRS 9 on retained profits is as follows:

	Retained profits *US$'000*
Retained profits	
Balance as at 31 October 2018 under HKAS 39	5,917
Recognition of expected credit losses for trade receivables under HKFRS 9	(277)
Deferred tax in relation to the above	66
Balance as at 1 November 2018 under HKFRS 9	5,706

2.3 HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18 "Revenue", which covered revenue arising from sale of goods and rendering of services, and HKAS 11 "Construction Contracts", which specified the accounting for construction contracts.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

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

2.3 HKFRS 15 "Revenue from Contracts with Customers" (continued)

Timing of revenue recognition

Prior to 1 November 2018, revenue arising from provision of services was recognised when services were provided, whereas revenue from sale of goods was recognised when the goods were delivered and titles had passed.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these three situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on the timing and amounts of revenue recognised in the Group's condensed consolidated statement of profit or loss and other comprehensive income.

Presentation of contract assets and liabilities

Before the adoption of HKFRS 15, the Group recognised advances from customers as other payables. Under HKFRS 15, a contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue, or when the Group receives consideration from a customer and expects to refund some or all of that consideration to the customer (i.e., refund liability).

Therefore, upon adoption of HKFRS 15, the Group reclassified US$3,411,000 from advances from customers included in other payables and accrued liabilities to contract liabilities as at 1 November 2018 in relation to the short-term advances received from customers as at 1 November 2018.

3. REVENUE AND SEGMENT REPORTING

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

(a) Disaggregation of revenue

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

	Six months ended 30 April	
	2019 (unaudited) *US$'000*	2018 (unaudited) *US$'000*
Revenue from contracts with customers within the scope of HKFRS15		
Disaggregated by major products or services		
– Sales of bus bodies and kits	**33,380**	12,504
– Sales of parts and provision of relevant services	**1,555**	1,603
	34,935	14,107

Disaggregated by geographical location

	Six months ended 30 April	
	2019 (unaudited) *US$'000*	2018 (unaudited) *US$'000*
Malaysia (place of domicile)	**48**	148
Singapore	**27,157**	1,747
Hong Kong	**3,724**	2,243
Australia	**3,550**	8,300
People's Republic of China	**–**	257
Others	**456**	1,412
	34,935	14,107

(b) Segment reporting

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

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

– Sales of bus bodies and kits – sales and fabrication of body work for buses and trading of body kits

– Sales of parts and provision of relevant services – dealing in spare parts for buses and provision of relevant services for buses

3. REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

Segment profit/(loss) represents the profit/(loss) earned by each segment without allocation of head office and corporate expenses, other revenue, other net income, share of loss of an associate and finance costs. This is the measure reported to the CODM, for the purposes of resources allocation and performance assessment.

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

Information regarding the above segments is reported below.

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

For the six months period ended 30 April 2019

	Sales of bus bodies and kits (Unaudited) *US$'000*	Sales of parts and provision of relevant services (Unaudited) *US$'000*	Total (Unaudited) *US$'000*
Revenue			
Revenue from contracts with external customers recognised at a point in time	33,380	1,555	34,935
Reportable segment revenue	33,380	1,555	34,935
Reportable segment profit	2,829	107	2,936
Unallocated head office and corporate expenses:			
– Other expenses			(432)
Other revenue			26
Other net income			344
Finance costs			(376)
Share of loss of an associate			(300)
Profit before income tax			2,198

3. REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

For the six months period ended 30 April 2018

	Sales of bus bodies and kits (Unaudited) *US$'000*	Sales of parts and provision of relevant services (Unaudited) *US$'000*	Total (Unaudited) *US$'000*
Revenue			
Revenue from contracts with external customers recognised at a point in time	12,504	1,603	14,107
Reportable segment revenue	12,504	1,603	14,107
Reportable segment (loss)/profit	(1,858)	278	(1,580)
Unallocated head office and corporate expenses:			
– Other expenses			(411)
Other revenue			91
Other net income			11
Finance costs			(279)
Share of loss of an associate			(113)
Loss before income tax			(2,281)

4. PROFIT/(LOSS) BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 April	
	2019	2018
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Interest on bank and other borrowings	**371**	274
Finance charge on obligations under finance leases	**5**	5
Total interest expenses on financial liabilities not at fair value through profit or loss	**376**	279

(b) Staff costs (including directors' emoluments)

	Six months ended 30 April	
	2019	2018
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Salaries, wages and other benefits	**1,532**	1,299
Contributions to defined contribution retirement plans	**205**	153
	1,737	1,452

(c) Other items

	Six months ended 30 April	
	2019	2018
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Cost of inventories	**27,808**	10,859
Depreciation	**269**	275
Net foreign exchange (gain)	**(324)**	(11)
(Gain) on disposal of property, plant and equipment	**–**	(4)
Operating lease charges in respect of		
– properties	**131**	151
– equipment	**7**	4

5. DIVIDEND

The Board has resolved to declare an interim dividend of HK$0.03 per share for the Reporting Period (2018: nil). The interim dividend will be distributed on or about Thursday, 8 August 2019 to shareholders whose names appear on the register of members of the Company after the close of business on Friday, 12 July 2019. Such interim dividend will not be subject to any withholding tax in Hong Kong.

6. INCOME TAX

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

	Six months ended 30 April	
	2019	2018
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Current tax		
Charge for the period	**1,071**	16
Deferred tax		
Origination and reversal of temporary differences	**(136)**	–
Income tax expense	**935**	16

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

(ii) During the six months period ended 30 April 2019, GML Coach Technology Pte. Limited is subject to Singapore statutory income tax rate of 17% (2018:17%).

(iii) During the six months period ended 30 April 2019, Gemilang Coachwork Sdn. Bhd. is subject to Malaysia statutory income tax rate of 24% (2018: 24%).

7. EARNINGS/(LOSS) PER SHARE

	Six months ended 30 April	
	2019	2018
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Earnings/(loss)		
Profit/(loss) for the period attributable to owners of the Company for the purpose of basic and diluted per share	**1,263**	(2,297)

Number of shares	Six months ended 30 April	
	2019	2018
	(Unaudited)	(Unaudited)
Issued ordinary shares at 1 November	**251,080,000**	250,144,000
Effect of shares issued by shares options	**–**	426,022
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**251,080,000**	250,570,022
Effect of dilutive potential ordinary shares:		
Share options	**283,817**	1,356,030
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**251,363,817**	251,926,052

Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit for the period of approximately US$1,263,000 (2018: loss of US$2,297,000) and the weighted average of 251,080,000 ordinary shares (2018: 250,570,022 shares).

Diluted earnings/(loss) per share

For the six months period ended 30 April 2019, the calculation of diluted earnings per share is based on the profit for the period of approximately US$1,263,000 and the weighted average number of 251,363,817 ordinary shares, which is calculated after taking into account of the effect of deemed issue of shares under the Company's share option scheme. For the six months ended 30 April 2018, diluted loss per share equal basic loss per share as the exercise of the outstanding share options would be anti-dilutive.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months period ended 30 April 2018, the Group disposed of certain tools and equipment, and motor vehicles with an aggregate carrying amount of both US$nil for proceeds of US$4,000 and US$1,000 respectively (2019: US$nil).

The Group paid US$121,000 (unaudited) (six-month period ended 30 April 2018: US$74,000 (unaudited)) for the acquisition of property, plant and equipment to expand its operations.

9. INTEREST IN AN ASSOCIATE

	At 30 April 2019 (Unaudited) ***US$'000***	At 31 October 2018 (Audited) *US$'000*
Investment costs	**–**	–
Share of post-acquisition profits and other comprehensive income, net of dividends received	**80**	380
Unrealised profits, net	**(207)**	–
Goodwill	**165**	165
	38	545

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

Name of company	Place of incorporation and business	Class of shares held	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership 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 provide a platform for quality after-sales services to customers in Australia and New Zealand.

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

10. TRADE AND OTHER RECEIVABLES

	At 30 April 2019 (Unaudited) US$'000	At 31 October 2018 (Audited) US$'000
Trade receivables	11,056	12,150
Less: allowance for doubtful debts	(3,585)	(2,678)
	7,471	9,472
Other receivable	984	2,024
Advances to suppliers	1,819	261
Deposits	136	67
Prepayments	467	416
	3,406	2,768
	10,877	12,240

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

Ageing analysis of trade receivables

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

	At 30 April 2019 (Unaudited) US$'000	At 31 October 2018 (Audited) US$'000
Within 30 days	3,385	3,084
31 to 90 days	3,197	4,902
Over 90 days	889	1,486
	7,471	9,472

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

11. PLEDGED BANK DEPOSITS

	At 30 April 2019 (Unaudited) *US$'000*	At 31 October 2018 (Audited) *US$'000*
Fixed deposits	**3,238**	2,711

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

12. TRADE AND OTHER PAYABLES

	At 30 April 2019 (Unaudited) *US$'000*	At 31 October 2018 (Audited) *US$'000*
Trade payables	**9,948**	10,918
Other payables and accruals	**3,064**	3,148
Advance deposits from customers	**–**	3,411
	13,012	17,477

Ageing analysis of trade payables

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

	At 30 April 2019 (Unaudited) *US$'000*	At 31 October 2018 (Audited) *US$'000*
Within 30 days	**1,828**	3,445
31 to 90 days	**6,648**	4,171
Over 90 days	**1,472**	3,302
	9,948	10,918

As a result of the adoption of HKFRS 15, advance deposits received from customers are included in contract liabilities (see note 2.3).

13. BANK BORROWINGS

During the current interim period, the Group obtained new bank borrowings amounting to US$18,354,000 (unaudited) (31 October 2018: US$26,013,000 (audited)).

Bank borrowings are secured by:

(i) Legal charges over freehold land and buildings of the Group;

(ii) Deposits with licensed banks of the Group;

(iii) Legal charge over a land held by a related company of the Group for the bank borrowings as at 30 April 2019 and 31 October 2018;

(iv) Execution of Deed of Assignment of benefits of contract proceeds and power of attorney by certain customers in respect of contract financed by the bank; and

(v) Charge over a bank account.

14. SHARE CAPITAL

Ordinary Shares of HK$0.01 each

Authorised:

	No. of shares	**Amount** *US$'000*
At 1 November 2017, 31 October 2018 and 30 April 2019	2,000,000,000	2,581

Issued and fully paid:

	No. of shares	**Amount** *US$'000*
1 November 2017	250,144,000	322
Issuance of new shares upon exercising of share options *(note 15)*	936,000	2
At 31 October 2018 and 30 April 2019	251,080,000	324

15. SHARE OPTION SCHEME

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

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

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

15. SHARE OPTION SCHEME (continued)

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 3,276,000 share options remained outstanding as at 30 April 2019. The closing price of the shares of the Company of 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 corresponding increase in share option reserve within equity.

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

Date of grant	At 1 November 2017	Lapsed during the year	Exercised during the year	Outstanding as at 31 October 2018	Lapsed during the period	Exercised during the period	Outstanding as at 30 April 2019	Exercise price	Vesting date	Exercisable period
								HK$		
Granted to directors										
26 January 2017	750,000	–	–	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	(152,000)	–	2,526,000	1.764	Immediately vested	Within 5 years from grant date
	4,504,000	(140,000)	(936,000)	3,428,000	(152,000)	–	3,276,000			
Weighted average exercise price (HK$)	1.764	1.764	1.764	1.764	1.764	1.764	1.764			

The weighted average share price at the date of exercise for shares options exercised during the six months period ended 30 April 2019 was HK$1.925 (31 October 2018: HK$2.64). The weighted average remaining contractual life of the share options outstanding at 30 April 2019 was approximately 2.75 years (31 October 2018: 3.25 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.

15. 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.

16. OPERATING LEASE COMMITMENTS

The Group leases offices and equipment which are non-cancellable with lease terms between 1 and 5 years. The lease expenses charged to the condensed consolidated statement of profit or loss and other comprehensive income during the period are disclosed in Note 4(c).

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

	At 30 April 2019 (Unaudited) ***US$'000***	At 31 October 2018 (Audited) *US$'000*
No later than 1 year	**139**	367
After 1 year but within 5 years	**793**	634
	932	1,001

17. CAPITAL COMMITMENTS

As at 30 April 2019, a subsidiary of the Group was committed to contribute approximately US$37,520 (2018: US$316,000) in connection with unpaid investment in subsidiaries.

18. 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

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors, is as follows:

	Six months period ended 30 April	
	2019 (Unaudited) *US$'000*	2018 (Unaudited) *US$'000*
Short-term employee benefits	**721**	443
Post-employment benefits	**94**	81
	815	524

18. RELATED PARTY TRANSACTIONS (continued)

(b) Financing arrangements with related parties

As at 30 April 2018, the Group has the following balances with related parties:

	Notes	**At 30 April 2019 (Unaudited) *US$'000***	At 31 October 2018 (Audited) *US$'000*
Amounts due from/(to) related companies			
– CP Excel Auto Tech Pte. Ltd.	*(i), (ii)*	**(13)**	21
– P&P Excel Car Air-Conditioning Sdn. Bhd.	*(i), (ii)*	**6**	6
– P&P Excel Tech Engineering Sdn. Bhd.	*(i), (ii)*	**(7)**	(98)
– SW Excel Tech Engineering Sdn. Bhd.	*(i), (ii)*	**4**	3
		(10)	(68)
Amount due from/(to) an associate			
– Gemilang Australia Pty Ltd.	*(i), (ii)*	**857**	(361)

Notes:

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

(ii) The outstanding balance is included in trade and other receivables (Note 10) and trade and other payables (Note 12).

18. RELATED PARTY TRANSACTIONS (continued)

(c) Other related party transactions

(i) During the six months periods ended 30 April 2019 and 2018, the Company entered into the following material related party transactions:

Continuing transactions

	Six months period ended 30 April	
	2019	2018
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Sales of bus body		
– Gemilang Australia Pty Ltd.	**898**	–
Sales of parts and services		
– Gemilang Australia Pty Ltd.	**34**	279
Purchases of parts and services		
– P&P Excel Car Air-Conditioning Sdn. Bhd.	**–**	1
– P&P Excel Tech Engineering Sdn. Bhd.	**21**	6
	21	7
Commission expenses		
– Gemilang Australia Pty Ltd.	**848**	2,717

(ii) A land held by a related party is pledged with a bank for the Group's borrowings as at 30 April 2019 and 31 October 2018.

19. CONTINGENT LIABILITIES

Performance bonds

	At 30 April 2019 (Unaudited) US$'000	At 31 October 2018 (Audited) US$'000
Performance bonds for contracts in favour of customers	**3,360**	7,144

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

20. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Disposal of an associated company

Subsequent to the Reporting Period on 27 May 2019, Gemilang Asia Pacific Limited (the "Vendor"), a wholly owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the "Sale and Purchase Agreement") with an independent third party, pursuant to which the Vendor agreed to conditionally sell the entire 50% equity interest in GMLA, at a cash consideration of AUD 71,500 (representing approximately US$50,337). The disposal of GMLA was completed on 3 June 2019. Upon completion of the disposal, GMLA ceased to be an associated company of the Group.

Update on 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.)

20. EVENTS SUBSEQUENT TO THE REPORTING PERIOD (continued)

Update on litigation (continued)

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 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. Despite 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 announcement, 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.

Defendant 2 has applied for second extension on the judicial management in the High Court of Malaya at Shah Alam in May 2019 for 2 months and the extension was approved.

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