Gemilang International Limited
彭順國際有限公司

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

Annual 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 SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, 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

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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

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Email: info@gml.com.my

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 October				
	2019	2018	2017	2016	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue	**63,163**	57,091	50,354	48,690	41,070
Cost of sales	**(50,357)**	(44,959)	(37,422)	(36,062)	(31,868)
Gross profit	**12,806**	12,132	12,932	12,628	9,202
Profit/(loss) before taxation	**5,178**	(1,364)	2,107	3,649	5,362
Income tax expenses	**(1,477)**	(82)	(922)	(1,533)	(162)
Profit/(loss) for the year attributable to equity owners of the Company	**3,701**	(1,446)	1,185	2,116	5,200

CONDENSED CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 October				
	2019	2018	2017	2016	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Total assets	**46,799**	46,966	44,711	39,530	23,393
Total liabilities	**27,209**	30,067	26,010	31,939	18,660
Total equity	**19,590**	16,899	18,701	7,591	4,733

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

Dear Shareholders,

On behalf of the board of directors (the "**Board**" or "**Directors**"), I am pleased to present the annual report of Gemilang International Limited (the "**Company**") together with its subsidiaries (collectively, the "**Group**") for the financial year ended 31 October 2019 (the "**Year**").

RESULTS

Despite a number of uncertainties concerning the global economic outlook, the Group's business has maintained stable growth during the Year.

During the Year, the Group achieved a revenue of approximately US$63.16 million, representing a slight increase of approximately 10.63% from approximately US$57.09 million in the financial year ended 31 October 2018. The increase in revenue was primarily due to the increase in the delivery of bus bodies to Singapore, Hong Kong and a new customer in United Arab Emirates, which was offset by the decrease in delivery of buses to Malaysia, Australia and Uzbekistan during the Year compared to the year ended 31 October 2018.

Profit for the Year attributable to the equity owners of the Company was approximately US$3.70 million, which represents a significant increase of approximately US$5.15 million compared with the loss for the previous financial year of approximately US$1.45 million. The increase is mainly attributable to (i) the decrease in the impairment loss on trade receivable during the Year as compared to that for the financial year ended 31 October 2018; and (ii) the decrease in the selling and distribution expenses during the Year which was mainly attributable to the decrease in sales commission expenses incurred in connection with sales of buses in the Australian market as compared to that for the year ended 31 October 2018. The Group's results are discussed in detail under the section headed "Management Discussion and Analysis" in this annual report.

DIVIDENDS

The Board recommends the payment of final dividend of HK$0.05 per share in cash for the year ended 31 October 2019 (2018: HK$nil per share). Such final dividend will not be subject to any withholding tax in Hong Kong. Subject to approval of shareholders at the forthcoming annual general meeting, the final dividend is expected to be paid on or about Monday, 27 April 2020.

OUTLOOK

The Group endeavor to continue to explore business opportunities in both our core and developing markets. The Group continues to strengthen the market position in Singapore, by securing order for 111 units of double deck buses and 35 units of electric buses to be delivered to our customers in Singapore in 2020. We are also awarded an order of 50 units of 3-doors double deck buses to be delivered in Singapore in the near future.

In 2020, we will be fulfilling the order for double deck bus aluminium body kits in Malaysia, a contract that we were awarded in 2018. We will be delivering 90 sets of body kits in the year. Our team continues to work closely with our partners and customers to provide high quality products to meet their requirements.

Our vision is to become one of the leading bus manufacturing solution providers in Asia, and our efforts to expand our footprints in Asia had been rewarding. We acquired new customers in Taiwan and will be delivering bus body kits to the customers in 2020. We believe we are well positioned and equipped with technological capability to capture the market share in Asia.

APPRECIATION

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

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

Phang Sun Wah
Chairman

20 January 2020

BUSINESS OVERVIEW

The Group designs and manufactures bus bodies and assemble buses. We divide our target markets into two segments, namely core markets which comprise Singapore and Malaysia, and developing markets which comprise all other markets to where we export our products including Australia, Hong Kong, Uzbekistan and United Arab Emirates. 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) buses (CBUs*).

Apart from manufacturing bus bodies and assembling buses, we also provide after-sales services in maintenance of bus bodies and sales of related spare parts.

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

The Group delivered total 393 units of buses (CBUs*), 31 units of CKDs* to our customers during the Year.

** 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 year ended 31 October	
	2019	2018
	US$'000	US$'000
Malaysia (place of domicile)	–	149
Singapore	26,470	24,873
Hong Kong	8,539	7,872
Australia	7,349	15,204
People's Republic of China	–	335
Uzbekistan	318	4,069
United Arab Emirates	16,196	–
Others	1,510	1,762
	60,382	54,264

The sales of bus bodies and kits segment is our major source of income for our Group, with the sales of whole buses as the major product of our group contributing over 95% of revenue for both years. The revenue generated from this segment amounted to approximately US$60.38 million during the Year, representing an increase of approximately US$6.12 million or 11.3% as compared with approximately US$54.26 million for the year ended 31 October 2018. The increase in revenue in this segment was attributable to the significant increase in delivery of whole buses to the Singapore, Hong Kong market and, United Arab Emirates new market, which offsets by decrease in delivery of whole buses to Malaysia, Australia and Uzbekistan during the Year as compared to the year ended 31 October 2018.

During the Year, the Group delivered a total of 200 units of whole buses to our customers in Singapore, out of which 163 units of double deck city buses during the Year as compared to 87 units of double deck city buses for the year ended 31 October 2018, resulting the increase in revenue of approximately US$1.60 million or 6.4% from approximately US$24.87 million for the year ended 31 October 2018 to approximately US$26.47 million for the Year. The Group secured a sales contract of a total of 79 units of double deck city buses for a new customer in United Arab Emirates and delivered 66 units to them during the Year.

The decrease in revenue from the Australian market was approximately US$7.85 million, from approximately US$15.20 million for the year ended 31 October 2018 to approximately US$7.35 million for the Year. The decrease is mainly attributable to the decrease in the number of buses delivered to Australia from 81 units for the year ended 31 October 2018 to 63 units for the Year. Besides, there were also changes in the mode of business operation with Gemilang Australia Pty Limited ("**GMLA**") since April 2019, where the Group sells whole buses to GMLA instead of selling to end customers in Australia and New Zealand.

Sales of parts and provision of relevant services segment

	Revenue from external customers	
	For the year ended 31 October	
	2019	2018
	US$'000	*US$'000*
Malaysia (place of domicile)	**110**	131
Singapore	**2,256**	1,912
Hong Kong	**269**	349
Australia	**110**	246
People's Republic of China	**–**	25
Others	**36**	164
	2,781	2,827

This segment is our secondary source of income, in which its revenue mainly generated from providing after-sales service and sales of parts to our customers. The revenue generated from sales of parts and provision of relevant services segment amounted to approximately US$2.78 million during the Year, representing a decrease of approximately US$0.05 million or 1.6% as compared with approximately US$2.83 million for the year ended 31 October 2018.

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

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

OPERATING RESULTS AND FINANCIAL REVIEW

Revenue

Our revenue was principally generated from the assembly and sale of aluminium buses and the manufacture of bus bodies. We generated revenue of approximately US$57.09 million and US$63.16 million for the financial years ended 31 October 2018 and 2019 respectively. The increase in revenue was primarily due to the significant increase in delivery of bus bodies to Singapore, Hong Kong and United Arab Emirates, which was offset by decrease in delivery of bus bodies to Malaysia and Uzbekistan and change in mode of business in Australia and New Zealand during the Year compared to the year ended 31 October 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 Year:

	For the year ended 31 October			
	2019		2018	
	US$'000	%	US$'000	%
Bus (CBU*)				
– City Bus	58,335	92.4	46,932	82.2
– Coach	728	1.1	1,661	2.9
Bus Body				
CKD				
– City Bus	1,319	2.1	4,171	7.3
SKD				
– City Bus	–	–	1,500	2.6
Maintenance and aftersales service	2,781	4.4	2,827	5.0
Total	63,163	100.0	57,091	100.0

Gross profit

Our gross profit was approximately US$12.13 million and US$12.81 million for years ended 31 October 2018 and 2019, respectively. Our gross profit margin was approximately 21.3% and 20.3% for financial years ended 31 October 2018 and 2019, respectively. The decrease of gross profit margin was due to an increase in contractor wages in relation to tight production schedule to cope with the commitment in delivering 393 units of whole buses in the year, 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$3.65 million or 67.7% from approximately US$5.39 million for the financial year ended 31 October 2018 to US$1.74 million in the Year. Such decrease was driven 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. Furthermore, due to the change in mode of business operation with GMLA since April 2019, the Group sells whole buses to GMLA instead of selling to end customers in Australia and New Zealand, therefore the commission expenses dropped significantly to GMLA during the Year.

General and administrative expenses

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

Our general and administrative expenses increased by approximately US$0.23 million or 4.9% from approximately US$4.63 million for the financial year ended 31 October 2018 to US$4.86 million in the Year. Such increase was mainly attributable to an increase in salary costs due to general salary and benefits increments for existing staff and increase in staff headcount.

Share of (loss) of an associate

The share of loss from GMLA is US$0.48 million during the Year compare to a share of loss of US$0.10 million during the year ended 31 October 2018. The increase is mainly attributable to reason below.

Commission income from the Group is the main source of income of GMLA, as discussed in "Selling and distribution expenses" section in "Management Discussion and Analysis", there was a decrease in commission expense of approximately US$3.88 million or 82.3% incurred during the Year payable to GMLA from US$4.71 million to US$0.83 million during the Year as compared to the year ended 31 October 2018. The decrease from its contribution was consistent with this fact. Moreover, the loss of associate was also attributable by the increase in wages and cost of material in GMLA.

Income tax expenses

There was a significant increase in income tax expense of approximately US$1.40 million or 1,701.2% from approximately US$0.08 million during the year ended 31 October 2018 to approximately US$1.48 million during the Year. The increase in income tax expense during the Year was mainly as a result of increase of earnings from operation during the Year.

Significant investments held

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

Future plans for material investments and capital assets

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

Material acquisitions and disposals of subsidiaries and affiliated companies

During the Year, a wholly owned subsidiary of the Company (the "**Vendor**"), 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 AUD71,500 (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.

Pledge of assets

As at 31 October 2019, pledged bank deposits of approximately US$3.30 million (2018: US$2.71 million) as disclosed in the consolidated statement of financial position have been pledged to banks as security for banking facilities granted to the Group. The net book value of following assets were pledged to secure certain banking facilities granted to the Group:

	2019	2018
	US$'000	*US$'000*
Freehold land	**1,860**	1,838
Buildings	**4,377**	4,427
	6,237	6,265

Contingent liabilities

As at 31 October 2019, the Group had the following contingent liabilities:

Performance bonds

	2019 US$'000	2018 US$'000
Performance bonds for contracts in favour of customers	7,389	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.

Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2019 US$'000	2018 US$'000
Contracted but not provided for:		
– Investment in joint venture (RMB1,500,000)	213	–
	213	–

In December 2018, 順鋁(上海)汽車科技有限公司, an indirect wholly-owned subsidiary of the Company, entered into a joint venture agreement with, Celestial Glow Limited, an investment holding company, and 上海北斗新能源有限公司 ("**Beidou**"), all being independent third parties, pursuant to which the parties to the said joint venture agreement agreed to establish a joint venture company in Shanghai, the PRC. This joint venture agreement had lapsed during the Year.

Subsequent to the lapse of the joint venture agreement, 順鋁(上海)汽車科技有限公司 entered into a joint venture agreement with Beidou whereby both parties are to own 50% and 50% of the equity interest, respectively, in the joint venture company, 上海北鋁汽車科技有限公司. The capital commitment required from 順鋁(上海)汽車科技有限公司 is RMB1.5 million according to the joint venture agreement.

PROSPECTS

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

The following highlights our key development strategies:

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

China's bus market and industry is the largest in the world. The general demand for electric buses is in an increasing trend. The Group currently owns two wholly-owned subsidiaries in China, 順鋁(上海)汽車科技有限公司, an entity established in Shanghai, the PRC and 順鋁(深圳)汽車科技有限公司, an entity established in Shenzhen, the PRC, so that we can better serve our existing customers and further develop these markets.

We plan to streamline and improve our production process in Malaysia

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

We will further enhance our strategic partnership with chassis principals

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

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

- develop new markets with our chassis principals;
- develop new bus models with our chassis principals;
- share our bus production technology and know-how in improving production efficiency; and
- leverage our market position to help our chassis principals to enter new markets.

We aim to consolidate our leading position in Malaysia and Singapore

In order to strengthen our position in Malaysia and Singapore, we have increased the size of our after-sales service and marketing team which will enable us to provide prompt response to after-sales requests from our customers and to establish better relationships with our customers through gathering feedbacks on our products.

In Malaysia, we are working closely with our chassis principals in tendering of projects. We are also working with chassis principals which supply electric chassis to introduce electric bus solutions to the Transportation Authority in Malaysia. We believe that we are in better position to promote our products in Malaysia with our existing track records in those major cities that we had delivered our buses to.

In Singapore, we continue to work closely with the Land Transport Authority through regular discussions to produce buses that meet their requirements. With the established after-sales support team, we sought to provide round the clock after-sales services to the bus transportation operators in both markets.

We will further diversify our product portfolio

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

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

Our relentless efforts to invest in developing new products for new markets outside Asia which are regulated by different sets of regulatory standards had successfully helped us open doors to new market such as, United Arab Emirates. We will continue to innovate and expand our portfolio to reach out to more new markets.

EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 31 October 2019 and up to the date of this report.

DIVIDEND

The Board recommends the payment of final dividend of HK$0.05 per share in cash for the year ended 31 October 2019 (2018: HK$ nil per share). Such final dividend will not be subject to any withholding tax in Hong Kong. Subject to approval of shareholders at the forthcoming annual general meeting, the final dividend is expected to be paid on or about Monday, 27 April 2020.

ANNUAL GENERAL MEETING

The annual general meeting is scheduled to be held on Tuesday, 24 March 2020. The notice of annual general meeting will be published and despatched to the shareholders in due course.

CLOSURES OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company which will be held on Tuesday, 24 March 2020, the register of members of the Company will be closed from Thursday, 19 March 2020 to Tuesday, 24 March 2020, both days inclusive, during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company's share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 18 March 2020.

Subject to the approval of shareholders of the Company at the forthcoming annual general meeting, the final dividend will be distributed on or about Monday, 27 April 2020 to shareholders of the Company whose names appear on the register of members of the Company after the close of business of the Company on Monday, 30 March 2020 and the register of members of the Company will be closed on Monday, 30 March 2020, during which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates shall be lodged not later than 4:30 p.m. on Friday, 27 March 2020 with the Company's share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

FOREIGN CURRENCY RISK

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 October 2019, the aggregate sum of the Group's bank balances and cash net of bank overdrafts, and short-term pledged bank deposits amounted to approximately US$5.58 million, representing an increase of approximately US$1.22 million compared with as at 31 October 2018 of approximately US$4.36 million. The net current assets and total equity of the Group were approximately US$11.51 million (2018: approximately US$8.13 million) and approximately US$19.59 million (2018: approximately US$16.90 million). As at 31 October 2019, the Group's bank borrowings and bank overdrafts amounted to approximately US$10.11 million (2018: approximately US$12.25 million).

As at 31 October 2019, the Group's gearing ratio, which is computed based on dividing the total outstanding indebtedness by the total equity, was approximately 32.7% (2018: 48.3%).

The Group monitors capital using, *inter alias*, a gearing ratio which is net debt divided by total equity. Net debt includes bank overdrafts, interest-bearing bank borrowings and obligations under finance leases, less cash and bank balances. The gearing ratio as at 31 October 2019 and 2018 are as follows:

	2019 ***US$'000***	2018 *US$'000*
Obligations under finance leases	**122**	147
Bank borrowings	**8,564**	9,651
Bank overdrafts	**1,546**	2,602
	10,232	12,400
Less: Cash and bank balances	**3,830**	4,246
Net debt	**6,402**	8,154
Total equity	**19,590**	16,899
Net debt-to-equity ratio	**32.7%**	48.3%

CAPITAL STRUCTURE

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, or sell assets to reduce debt. No changes in the objective, policies or processes for managing capital were made in the Year.

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 October 2019, the total number of full-time employees of the Group was approximately 357 (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 jurisdiction.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the Code Provisions (the "**Code Provisions**") as set out in the Corporate Governance Code (the "**CG Code**") in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the year ended 31 October 2019, the Company has complied with the Code Provisions as set out in the CG Code.

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

LITIGATION

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

In August 2018, the case was heard in the High Court of Malaya at Johor Bahru and Gemilang Coachwork successfully obtained a summary judgment against the Defendants. Subsequently, a winding up petition dated 30 October 2018 was filed in the High Court of Malaya and has been served on the Defendants on 15 November 2018. The winding up petition served on the Defendant 1 was subsequently dismissed on 2 January 2019 as Defendant 1 was already wound up in July 2018 by a third party. Defendant 2 had filed an originating summons for judicial management in the High Court of Malaya at Shah Alam. The hearing of the said originating summons was held on 24 January 2019 and the order for judicial management was subsequently granted. 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. After that, Defendant 2 has applied for extension of judicial management order in the High Court of Malaya at Shah Alam on 13 August 2019 but the application was not allowed by the High Court on 10 December 2019. The hearing to wind up Defendant 2 is scheduled to be heard on 30 January 2020.

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

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

USE OF PROCEEDS

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

Uses of net proceeds	Planned amount as stated in the Prospectus[1] *US$ million*	Actual amount utilised up to 31 October 2019 *US$ million*	Actual balance as at 31 October 2019 *US$ million*
Construction of the new facility in Senai, Malaysia	4.70	(3.70)	1.00
Upgrading and acquiring machines	0.89	(0.63)	0.26
Repayment of bank loans	2.39	(2.39)	–
Working capital	0.79	(0.79)	–
Total	8.77	(7.51)	1.26

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

EXECUTIVE DIRECTORS

Mr. Phang Sun Wah, (彭新華), aged 70, is the co-founder of our Group and has been our chairman and the executive Director since 21 June 2016. He is also the director of various subsidiaries of the Company, he is primarily responsible for overall strategic planning and overall management of our Group. Mr. Phang Sun Wah has over 40 years of experience in the areas of assembly of wooden and steel buses and coaches. He worked as a general worker of Soon Heng Lorry Body Work and was responsible for manufacturing lorry bodies and was a partner to Sun Soon Heng Coachwork, which engaged in fabrication of coachwork.

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

Mr. Pang Chong Yong (彭中庸), aged 60, is the co-founder of our Group and has been the chief executive officer and the executive Director since 21 June 2016. He is also the director of various subsidiaries of the Company, he is primarily responsible for formulating overall corporate strategies and policies of our Group, general management and day-to-day operation of our Group. He worked as an airconditioning technician and was a partner to Hotoh Bus & Car Air Conditioning, which engaged in installation of car accessories and provision of after-sales services. Mr. Pang had over 10 years of experience in the installation of cars accessories and provision of after-sales services and over 25 years in bus assembly and bus body manufacturing.

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

Ms. Phang Huey Shyan (彭慧嫻), aged 37, has been our executive Director since 21 June 2016 and subsequently became our chief corporate officer. She is also the director/officer of various subsidiaries of the Company, Ms. Phang is primarily responsible for the corporate, accounting and finance matters of the Group in addition to assisting the management on operational matters on a need to need basis. She has approximately six years of experience in accounting and finance. Prior to joining our Group, from January 2007 to April 2008, Ms. Phang worked for Guthrie GTS Limited, an accountant mainly responsible for group accounting and consolidation. During the period of September 2008 to April 2010, she was a reporting accountant focusing on the group accounting and reporting at Amcor Limited, a packaging company. From June 2010 to April 2011, she worked for Amcor Singapore Private Ltd, a packaging company, as a financial analyst; and from March 2012 to July 2014, she worked as a finance manager of Singapore Telecommunications Limited, a telecommunications company where she was primarily responsible for business partnering and entity reporting.

Ms. Phang graduated from the Deakin University, Australia, with a Bachelor of Commerce majoring in Accounting and Finance in October 2005.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Lee Kit Ying (李潔英), aged 71, was appointed as an independent non-executive Director on 21 October 2016. She is mainly responsible for supervising and providing independent judgment to our Board. Ms. Lee obtained a bachelor's degree from City of London Polytechnic, U.K. (now known as London Metropolitan University) in 1979 majoring in accountancy and a master's degree from City University of Hong Kong in 1998 majoring in Financial Engineering. Ms. Lee is a senior fellow of the Institute of Chartered Accountants in England and Wales. She previously held a number of senior positions in Hong Kong Futures Exchange, the Stock Exchange and Hong Kong Exchanges and Clearing Limited. Ms. Lee has over 20 years' experience in derivative products and the operation, supervision and risk management of securities markets.

Currently, Ms. Lee is the chairman of Virtus Foundation Limited. Ms. Lee is also an independent non-executive director of China BlueChemical Ltd. (Stock Code: 3983) since June 2012, the shares of which are listed on the Main Board of the Stock Exchange and Century Global Commodities Corporation (Stock Code: CNT) (a company listed on Toronto Stock Exchange, Canada).

Ms. Wong Hiu Ping (黃曉萍), aged 48, was appointed as an independent non-executive Director on 21 October 2016. She is mainly responsible for supervising and providing independent judgment to our Board. She has approximately 20 years of experience in financial accounting. During the period from June 2014 to May 2018, Ms. Wong worked at Pico Denshi (H.K.) Ltd., a company in the field of electronics, and as a regional head of finance mainly responsible for overseeing accounting and financial activities. From January 2011 to June 2013, Ms. Wong worked at Synthes (Hong Kong) Ltd, a medical device provider, as a finance controller mainly responsible for overseeing the Hong Kong finance department. From February 2010 to January 2011, Ms. Wong was the finance manager of Korn/Ferry International (H.K.) Ltd., an executive recruiting and search firm. From November 2007 to December 2009, Ms. Wong was the assistant finance manager of Pricoa Relocation Hong Kong Ltd, a firm principally engaged in the provision of relocation services, mainly responsible for overseeing finance department. From September 2001 to March 2007, Ms. Wong worked as an assistant accounting manager mainly responsible for overseeing finance department in Dun & Bradstreet (HK) Ltd.

Ms. Wong graduated from Iowa State University of Science and Technology with a Bachelor degree in Science in August 1995 and subsequently graduated from Curtin University of Technology in Perth, Australia with a Master degree in Accounting in April 2007. She is also an associate member of CPA Australia.

Ms. Kwok Yuen Shan Rosetta (郭婉珊), aged 42, was appointed as an independent non-executive Director on 21 October 2016. She is mainly responsible for supervising and providing independent judgment to our Board. Ms. Kwok was qualified as a solicitor in Hong Kong in August 2009 and held the position of assistant solicitor in Jesse H.Y. Kwok & Co. since October 2009. Prior to that, she was a trainee solicitor from July 2007 to July 2009 and was a paralegal from July 2004 to June 2007 in the same firm.

Ms. Kwok graduated from California State University, East Bay (previously known as California State University, Hayward) in the United States, with a Bachelor degree in Computer Science and Mathematics in 2002. She subsequently obtained her Juris Doctor degree and the Postgraduate Certificate in Laws from the City University of Hong Kong in 2006 and 2007, respectively.

Mr. Huan Yean San, aged 43, was appointed as the independent non-executive Director on 21 October 2016. He is mainly responsible for supervising and providing independent judgment to our Board. He has over 15 years of experience in the fields of corporate taxation, auditing services and the financial management reporting affairs. He joined Foo, Lee An & Associates, a chartered accounting firm in Malaysia, as an audit assistant in 1999. At that time, he was responsible for managing audit start up works and verifying supporting documents. From 2002 to 2006, he worked at Foo, Lee An & Associates as a tax senior responsible for advising clients in payment of several taxes such as income tax and property tax. From 2006 onward, Mr. Huan has been serving as a tax manager in this firm currently responsible for managing and developing relationship with clients.

Mr. Huan Yean San graduated from University of Western Australia with a Bachelor of Commerce (Minor in Business Law) in 1999. He has also been an associate member of CPA Australia and Malaysian Institute of Accountants and Chartered Tax Institute of Malaysia since 2003 and 2004 respectively.

SENIOR MANAGEMENT

Mr. Phang Jyh Siong (彭志祥), aged 41, joined our Group in April 2016 and is the general manager of our Company. He is mainly responsible for production, warehousing and general business operation of our Group. Prior to joining our Group, Mr. Phang worked as a key account manager at Scania CV AB, a company engaged in manufacturing commercial vehicles from April 2014 to March 2016. He worked at Gemilang Coachwork Sdn. Bhd., a subsidiary of the Group located in Malaysia, as a sales engineer in 2005, a project manager in 2007 and a director from 2009 to 2014. From October 2004 to May 2005, he was the co-founder of Baracorp Technologies Pte Ltd. During the period from September 2001 to April 2004, he worked as a laboratory officer in National University of Singapore.

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

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

The Directors are pleased to present their annual report and the audited consolidated financial statements of the Group for the financial year ended 31 October 2019.

INITIAL PUBLIC OFFERING

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

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

(a) a fair review of the business;

(b) a discussion of the principal risks and uncertainties facing the Group;

(c) particulars of important events affecting the Group that have occurred since the end of the financial year; and

(d) an indication of likely future development in the Group's business;

and the business review must also include:

(a) an analysis using financial key performance indicators;

(b) a discussion on the Group's environmental policies and performance; and the Group's compliance with the relevant laws and regulations that have a significant impact on the Group; and

(c) an account of the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends.

Part of further discussion and analysis as required by Schedule 5 to the Company Ordinance are set out in the "Chairman's Statement", "Management Discussion and Analysis", "Corporate Governance Report" and "Notes to the Consolidated Financial Statements" sections of this annual report. The above sections form part of the Directors' Report. In addition, details of the Group's financial risk management are disclosed in note 30 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the financial year ended 31 October 2019 and the Group's financial position at that date are set out in the financial statements on pages 73 to 75.

The Board recommends the payment of final dividend of HK$0.05 per share in cash for the year ended 31 October 2019 (2018: HK$nil per share). Such final dividend will not be subject to any withholding tax in Hong Kong. Subject to approval of shareholders at the forthcoming annual general meeting, the final dividend is expected to be paid on or about Monday, 27 April 2020.

SUMMARY FINANCIAL INFORMATION

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

DIVIDEND POLICY

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

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

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

SHARE CAPITAL

Details of movements in the Company's share capital during the Year are set out in note 29 to the financial statements.

SHARE OPTION SCHEME

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

(a) Purpose of the Share Option Scheme

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

(b) Grant and acceptance of options

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

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

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

(c) Subscription price of Shares

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

(d) Maximum number of Shares

(i) Subject to (ii) below, the maximum number of Shares in respect of which options may be granted at any time under the Share Option Scheme together with options which may be granted under any other share option schemes for the time being of our Company shall not in aggregate exceed such number of Shares as equals 10 per cent of the issued share capital of our Company at the Listing Date (the "**Scheme Mandate Limit**") unless Shareholders' approval has been obtained pursuant to the sub-paragraph immediately below. On the basis of a total of 250,000,000 Shares in issue as at the Listing Date, the relevant limit will be 25,000,000 Shares which represent 10% of the issued Shares at the Listing Date.

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

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

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

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

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

(e) Exercise of options

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

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

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

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

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

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

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

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

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

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

The fair values of the Share Options granted under the Share Option Scheme were determined and measured using the Binomial Option Pricing Model on 26 January 2017. The significant inputs into the models were the exercise price shown above, expected volatility of 37.66%, expected dividend yields of 0%, expected option life of 5 years and risk free interest rates of 2.15% (with reference to the yield rates prevailing on Hong Kong Exchange Fund Notes with duration similar to the expected option life). As any changes in the subjective input assumptions can materially affect the fair value estimates, the valuation models for the Share Options granted do not necessarily provide a reliable single measure of the fair value of the Share Options. The related accounting policy for the fair value of the Share Options granted is disclosed at note 3 to the financial statements.

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

A total of 5,000,000 Share Options were granted on 26 January 2017 under the Share Option Scheme and 2,942,000 Share Options remained outstanding as at 31 October 2019 with 202,000 Share Options have been lapsed and 284,000 Share Options have been exercised during the Year.

The table showing movements in the Company's share options held by the directors and the employees of the Company in aggregate granted under the Share Option Scheme of the Company during the Year is disclosed at note 27 to the financial statements:

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DISTRIBUTABLE RESERVES

As at 31 October 2019, the Company's reserves available for distribution, calculated in accordance with the provisions of Companies Law of the Cayman Islands, amounted to approximately US$14,926,000.

CHARITABLE CONTRIBUTIONS

During the Year, the Group had made approximately US$20,416 charitable and/or other donations.

MAJOR CUSTOMERS AND SUPPLIERS

The turnover attributable to the five largest customers of the Group accounted for approximately 90.7% of the Group's total turnover for the Year and turnover from the largest customer included therein amounted to 40.6%.

Purchases from the Group's five largest suppliers accounted for 47.3% of the Group's total purchases for the Year and purchases from the largest supplier included therein amounted to 22.4%.

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

DIRECTORS

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

Executive Directors

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

Independent non-executive Directors

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

According to Article 84(1) of the Company's articles of association, Mr. Pang Chong Yong, Ms. Phang Huey Shyan and Ms. Lee Kit Ying shall retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the annual general meeting.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Company are set out on pages 20 to 22 of the annual report.

DIRECTORS' SERVICE CONTRACTS

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

Name of Directors	Date of Commencement
Mr. Phang Sun Wah	11 November 2019
Mr. Pang Chong Yong	11 November 2019
Ms. Phang Huey Shyan	11 November 2019
Ms. Lee Kit Ying	11 November 2019
Ms. Wong Hiu Ping	11 November 2019
Ms. Kwok Yuen Shan Rosetta	11 November 2019
Mr. Huan Yean San	11 November 2019

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

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

DIRECTORS' REMUNERATION

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

Details of the remuneration of the Directors of the Company for the financial year ended 31 October 2019 are set out in note 8 to the financial statements.

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Saved as disclosed in this annual report, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding companies of the Company, or any of the Company's subsidiaries was a party during the financial year ended 31 October 2019.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 October 2019, none of the Directors of the Company are considered to be interested in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

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

At as 31 October 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("**SFO**")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, as set out in Appendix 10 to the Listing Rules were as follows:

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

Name of Shareholders	Capacity/ Nature of interests	Total number of Shares and underlying Shares held(1)(6)	Approximate percentage of issued share capital
Mr. Phang Sun Wah	Interest in a controlled corporation(2)	82,078,125 (L)	32.65%
	Interest held jointly with Mr. Pang Chong Yong(4)	82,328,125 (L)	32.75%
	Beneficial Interest(6)	570,000 (L)	0.23%
	Interest of spouse(5)	140,000 (L)	0.06%
Mr. Pang Chong Yong	Interest in a controlled corporation(3)	82,078,125 (L)	32.65%
	Interest held jointly with Mr. Phang Sun Wah(4)	82,788,125 (L)	32.94%
	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 32.65% 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 32.65% 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 65.69% 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 140,000 shares, being the interest beneficially held by his wife.

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

Save as disclosed above, as at 31 October 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) which was required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which was required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

Save as disclosed in the section headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY", as at 31 October 2019, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Long positions in the ordinary Shares

Name of Shareholders	Capacity/ Nature of interests	Total number of Shares and underlying Shares held(1)(5)	Approximate percentage of issued share capital
Sun Wah Investments Limited	Beneficial owner	82,078,125 (L)	32.65%
Golden Castle Investments Limited	Beneficial owner	82,078,125 (L)	32.65%
Ms. Chew Shi Moi	Interest of spouse(2)(3) Beneficial owner	164,976,250 (L) 140,000 (L)	65.63% 0.06%
Ms. Low Poh Teng	Interest of spouse(2)(4)	165,116,250 (L)	65.69%

(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 65.69% 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 above, as at 31 October 2019, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

CONNECTED TRANSACTION

The Company had no connected transaction conducted during the financial year ended 31 October 2019.

RELATED PARTY TRANSACTIONS

Related party transactions of the Group during the Year are disclosed in note 33 to the financial statements. They did not constitute connected transactions or continuing connected transaction, which are required to comply with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACTS

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

CONTRACT OF SIGNIFICANCE

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

DEED OF NON-COMPETITION UNDERTAKING

Each of the controlling shareholders has confirmed to the Company of his/its compliance with the non-competition undertakings provided to the Company under a deed of non-competition dated 21 June 2016 during the year ended 31 October 2019. The independent non-executive directors of the Company have reviewed the status of compliance and confirmed that all the undertakings under the deed of non-competition have been complied with by the controlling shareholders and duly enforced during the year ended 31 October 2019.

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

As an experienced and leading bus and bus body builder, we have a strong corporate responsibility to protect the environment as our business requires the utilisation of the natural resources and metals (aluminium) from the planet. To balance our business demands and environmental preservation, we are committed to comply all applicable environmental laws and regulations throughout our operations, we are dedicated to minimise the greenhouse gas emission and air pollutants emissions from the manufacture processes and vehicles production. In order to reduce the adverse impacts to the environment regarding to the waste and effluent generation, proper control and mitigation measures are implemented before waste disposal and wastewater discharge. By the adaptation of green procurement policy, green office practices and 4R principles – "Reduce, reuse, recycle and recovery", the resources and energy consumption become more efficient and wastage is minimised so as to conserve the natural resources. We confirm that there is no non-compliance with the applicable environmental laws and regulations in ESG during the reporting period from 1 November 2018 to 31 October 2019.

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

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group has adopted internal control measures to monitor the continuous compliance with relevant laws and regulations such as the Companies Law of the Cayman Islands, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the SFO, the Listing Rules and other rules and regulations implemented in relevant jurisdictions. During the Year, as far as the Board is concerned, the Group has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the financial year ended 31 October 2019. We have complied with the requirements of the Environmental Quality (Scheduled Wastes) Regulations 2005, which generally regulates the generation and disposal of wastes prescribed thereby, and the air emission from our factory are within the standard limits imposed by the Environmental Quality (Clean Air) Regulation 1978.

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

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS AND OTHER STAKEHOLDERS

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

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

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

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

On behalf of the board
Phang Sun Wah
Chairman

20 January 2020

CORPORATE GOVERNANCE PRACTICES

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Having made specific enquiry of all directors, they confirmed that they had complied with the required standard set out in the Model Code regarding securities transactions by Directors throughout the year ended 31 October 2019.

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

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

THE BOARD OF DIRECTORS

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

As at 31 October 2019 and up to the date of this report, the Board comprised 7 Directors, including 3 executive Directors and 4 independent non-executive Directors. The list of all Directors are set out below:

Executive Directors

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

Independent non-executive Directors

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

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

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

Biographical details and the relationships among the members of the Board are disclosed under "Biographical Details of Directors and Senior Management" on pages 20 to 22.

Chairman and Chief Executive Officer

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

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

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

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

Independent Non-Executive Directors

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

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

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

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

BOARD COMMITTEES

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

Audit Committee

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

Attendance record of meetings during the Year is set out on page 43.

The Audit Committee performed the following work during the year ended 31 October 2019:

(a) reviewed the Group's annual audited financial statements for the year ended 31 October 2019, and reviewed the unaudited interim financial statements for the six months ended 30 April 2019 including the accounting principles and accounting standards adopted with recommendations made to the Board for approval;

(b) reviewed the changes in accounting standards and assessed their potential impacts on the Group's financial statements;

(c) reviewed the Group's internal control system and related matters; and

(d) considered and made recommendations on the re-appointment of the independent auditor of the Group, and the terms of engagement.

Nomination Committee

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

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

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

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

Attendance record of meeting during the Year is set out on page 43.

The main works performed by nomination committee during the year ended 31 October 2019 included reviewing the structure and composition (including the skills, knowledge and experience) of the Board as well as reviewing board diversity policy and recommending the same to the Board for approval.

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

Remuneration Committee

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

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

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

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

Attendance record of meetings during the Year is set out on page 43.

The main works performed by remuneration committee during the year ended 31 October 2019 included reviewing the remuneration packages of the executive Directors, independent non-executive Directors and senior management for the year ended 31 October 2019.

Details of the remuneration of each Director and 5 highest paid employees for the financial year ended 31 October 2019 are set out in notes 8 and 9 to the financial statements, respectively. For the financial year ended 31 October 2019. The remunerations of the members of the senior management team who are not executive Directors are within the following bands:

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

Corporate Governance

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

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

Attendance Record of Directors and Committee Members

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

	No. of meeting attended/No. of meeting held				
	Board	Audit Committee	Nomination Committee	Remuneration Committee	2019 AGM
Number of meetings held	5	3	1	1	1
Executive Directors:					
Phang Sun Wah	4/5	–	1/1	–	1/1
Pang Chong Yong	5/5	–	–	1/1	1/1
Phang Huey Shyan	4/5	3/3	–	–	1/1
Independent Non-Executive Directors:					
Lee Kit Ying	5/5	–	–	–	1/1
Wong Hiu Ping	5/5	3/3	1/1	1/1	1/1
Kwok Yuen Shan Rosetta	5/5	3/3	1/1	1/1	1/1
Huan Yean San	5/5	3/3	–	–	1/1

BOARD DIVERSITY POLICY

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

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

	Age Group			
Name of Director	**30 to 39**	**40 to 49**	**50 to 59**	**60 or Above**
Phang Sun Wah				✓
Pang Chong Yong				✓
Phang Huey Shyan	✓			
Lee Kit Ying				✓
Wong Hiu Ping		✓		
Kwok Yuen Shan Rosetta		✓		
Huan Yean San		✓		

	Professional Experience		
Name of Director	**Manufacture of buses**	**Law**	**Accounting and Finance**
Phang Sun Wah	✓		
Pang Chong Yong	✓		
Phang Huey Shyan			✓
Lee Kit Ying			✓
Wong Hiu Ping			✓
Kwok Yuen Shan Rosetta		✓	
Huan Yean San			✓

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS AND COMPANY SECRETARY

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

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

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

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

Directors are encouraged to participate in continuous professional development so as to refresh their knowledge and skills for discharging their duties and responsibilities. For the year ended 31 October 2019, relevant reading materials including regulatory update and seminar handouts, etc. have been provided to the Directors for their reference and studying.

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

	Training activities including in-house activities/briefings, seminars/talks held by professional organisations and/or reading materials on relevant topics
Executive Directors:	
Phang Sun Wah	✓
Pang Chong Yong	✓
Phang Huey Shyan	✓
Independent Non-Executive Directors:	
Lee Kit Ying	✓
Wong Hiu Ping	✓
Kwok Yuen Shan Rosetta	✓
Huan Yean San	✓

COMPANY SECRETARY

The Company Secretary supports the Chairman, the Board and Board Committees by ensuring good information flow within the Board and that Board policy and procedures are followed. The Company Secretary reports to the Board and assists the Board in functioning effectively and efficiently. The Company Secretary also advises the Board on governance matters and facilitates the induction and professional development of Directors. All Directors may call upon the Company Secretary for advice and assistance at any time in respect to their duties and the effective operation of the Board and the Board Committees.

Following the resignation of Mr. Yeung Chin Wai as the Company Secretary, the Company engaged external service provider to provide company secretarial services and has appointed Ms. Chan Yuen Mui ("**Ms. Chan**") as the Company Secretary on 24 May 2019. Ms. Chan is a chartered company secretary and fulfilled the requirements under rules 3.28 and 3.29 of the Listing Rules. She undertook over 15 hours of relevant professional training to update her skills and knowledge during the Year. Ms. Phang Huey Shyan, the executive Director and Chief Corporate Officer of the Company, is the primary corporate contact person of the Company.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The following statement, which sets out the responsibilities of the Directors in relation to the financial statements, should be read in conjunction with, but distinguished from, the independent auditors' report on pages 67 to 72 which acknowledges the reporting responsibilities of the Group's auditors.

Accounts

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the financial year ended 31 October 2019 which give a true and fair view of the financial position of the Group.

Going Concern

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

AUDITORS' REMUNERATION

The audit committee has reviewed and ensured the independence and objectivity of the external auditors, Crowe. Details of the fees paid or payable to Crowe for the financial year ended 31 October 2019 are as follows:

	HK$'000
2019 annual audit	1,260
Non-audit related services	166
	1,426

RISKS MANAGEMENT AND INTERNAL CONTROLS

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

The Board confirms that it has conducted a review of the risk management and internal control system of the Group during the year ended 31 October 2019. The Group currently has no internal audit function and such review was performed by an external independent consultant engaged by the Group. The Board considers that it is more cost effective to engage an external independent consultant instead of recruiting a team of an internal audit staff to perform such annual review function.

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

DISCLOSURE OF INSIDE INFORMATION

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

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

SHAREHOLDERS' RIGHTS

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

1. Convening an Extraordinary General Meeting by Shareholders

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

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

2. Putting Forward Proposals at General Meetings

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

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

3. Putting Forward Enquiries to the Board

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

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

Primary Contact Person

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

Name: Ms. Phang Huey Shyan, *Executive Director*
Address: Room 1602, 16/F., Park Commercial Centre, 180 Tung Lo Wan Road, Causeway Bay, Hong Kong

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

ABOUT THIS REPORT

Gemilang International Limited (hereafter the "**Company**") and its subsidiaries (collectively the "**Group**" or "**We**") are obliged to embed sustainability principles into our business model for engaging our community. Not only do we value a progressive business growth, but we also consider continuous advancements of service quality, environmental stewardship and employee's wellbeing as our core missions. In 2019, we outlined the evolution we have achieved, while exploring areas where further improvements can be made.

Having a deep ambition to construct long-term trusted ties with our stakeholders in the community, the Group is pleased to publish our third environmental, social and governance ("**ESG**") report (the "**Report**") summarising our ESG performance and initiatives.

Scope of the Report

The Report examines the Group's ESG management approaches, environmental and social performance and material topics during the period from 1 November 2018 to 31 October 2019 (the "**Reporting Period**", "**2019**") with the scope of our significant operation including the factory of Gemilang Coachwork Sdn. Bhd. in Malaysia[1].

Reporting Standard

The Report has been prepared in accordance with the "Comply or Explain" provisions of the Environmental, Social and Governance Reporting Guide under Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**HKEx ESG Reporting Guide**").

The Report has been reviewed and approved by the board of directors of the Company.

Contact & Feedback

The Group believes a strong trusted relationship with our community is critical for our business sustainability. We are committed to managing the Company with the best interests of our stakeholders; therefore, we treasure your feedback on this ESG report and our sustainability performance. If you have any comments or suggestions, please feel free to contact us via irgroup@gml.com.my.

[1] *Compared with the Report of 2017/18, the scope of the Report excludes the office of Gemilang Coachwork Sdn. Bhd. in Malaysia and the office of Gemilang International Limited in Hong Kong due to their low materiality towards the Group's overall business operations.*

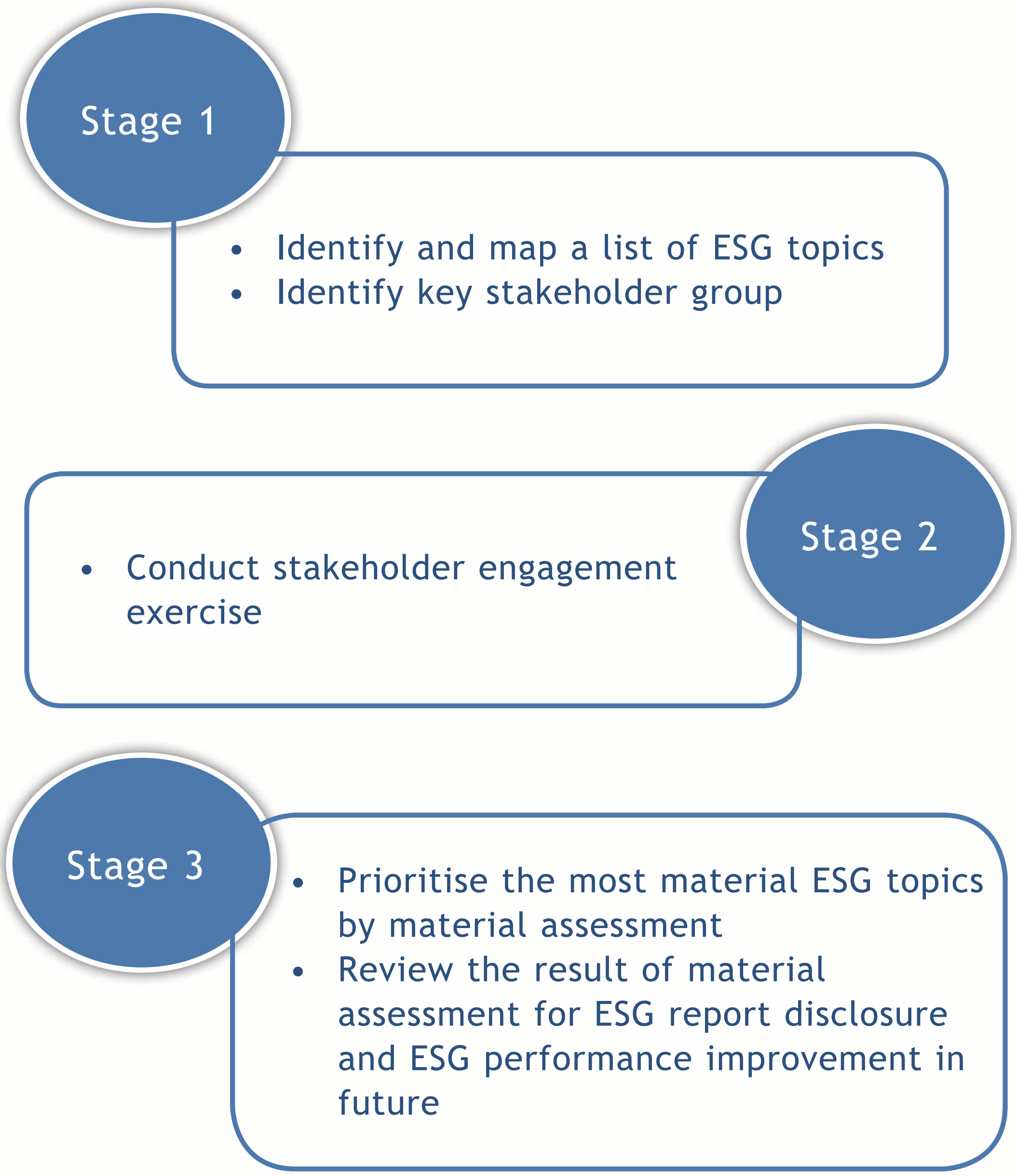
STAKEHOLDER ENGAGEMENT

To better understand the needs, concerns and expectations of our stakeholders in relevance to our business operation, the Group has been maintaining regular communications with our major stakeholders through various channels, which are illustrated in the table below:

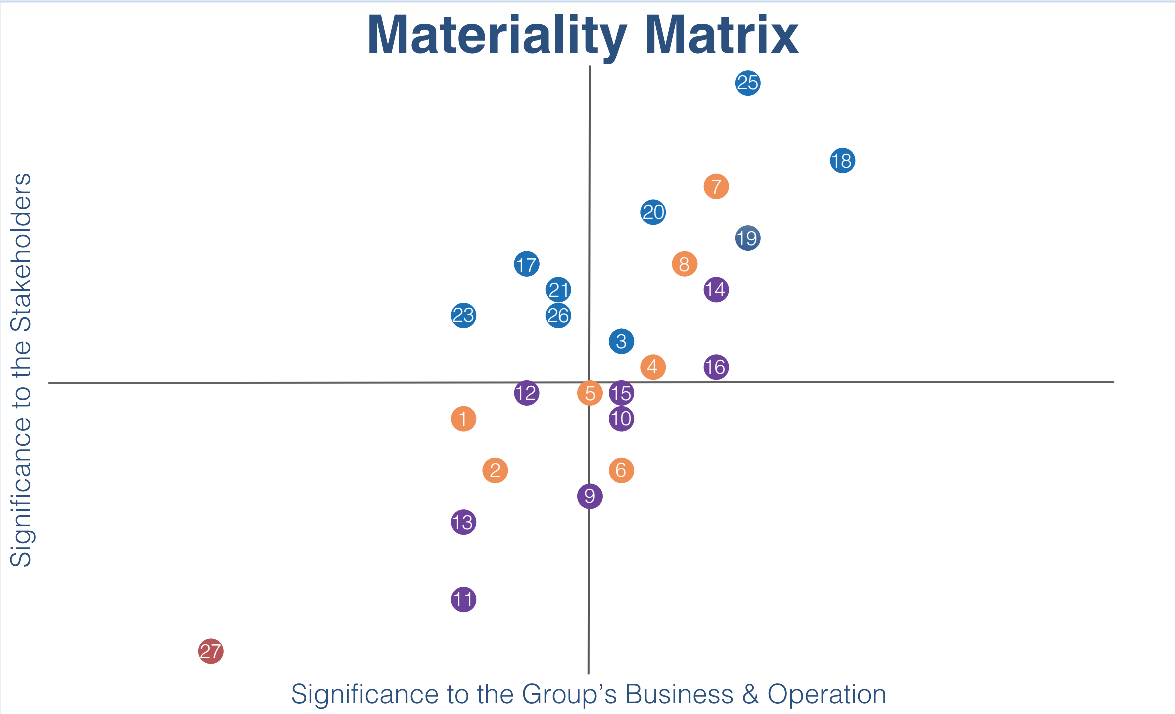
Types of stakeholder group	Communication channels
Investors and shareholders	• Company website • Company's announcements • Annual general meeting • Annual and interim reports
Customers	• Company website • Customer direct communication • Customer feedback and complaints • Customer satisfaction surveys
Employees	• Training and orientation • Emails and opinion box • Regular meetings • Employee performance evaluation • Employee activities
Suppliers and business partners	• Selection assessment • Procurement process • Performance assessment • Regular communication with business partners (e.g. emails, meetings, on-site visit etc.)
Government authorities and regulators	• Documented information submission. • Compliance inspections and checks • Regular meetings/luncheons with local government representatives • Forums, conferences and workshops
Non-governmental organizations	• Emails • Phones • Charity donations and voluntary services
Communities	• Company website • Community activities
Media	• Company website • Company's announcements

MATERIALITY ASSESSMENT

In order to identify the ESG issues that are material to the Group in formulating appropriate ESG strategies on ESG management and determining the direction of the Report, the Group has commissioned an independent consultant to conduct a materiality assessment in form of an online questionnaire. Both our internal and external stakeholders (e.g. board of director, shareholder, employee, and supplier) were invited to fill in the questionnaire and score the identified twenty seven ESG issues in accordance with their relevance and importance to the business operation and the stakeholders themselves respectively. Based on the materiality of each of the ESG issues expressed by the stakeholders, the ESG issues are prioritized and shown in the materiality matrix below. The issues which fell in the upper right corner of the matrix were defined as the topics that matter most to the Group's business operation and our stakeholders are concerned about.



The materiality matrix based on the received responses and analysis result.



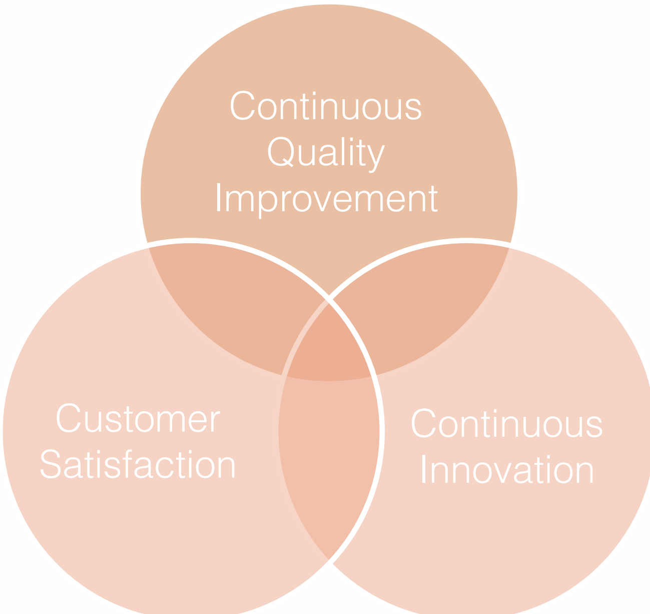
Environment	Social	
	Employment	**Operation**
1. Air emission 2. Greenhouse gas emission 3. Climate change 4. Energy efficiency 5. Water & effluents 6. Use of materials 7. Waste management 8. Environmental compliance	9. Labour rights 10. Labour-management relations 11. Employee retention 12. Diversity and equal opportunity 13. Non-discrimination 14. Occupational health and safety 15. Employee training 16. Employee development 17. Prevention of child labour & forced labour	18. Customer satisfaction 19. Customer service quality & complaints handling 20. Customer health and safety 21. Marketing and product and service labelling compliance 22. Intellectual property 23. Customer privacy and data protection 24. Responsible supply chain management 25. Business ethics 26. Socio-economic compliance
		Community
		27. Community investment

According to the results of the materiality matrix, the Group should focus on customer satisfaction, business ethics, waste management, customer service quality & complaints handling, occupational health and safety, employee development, environmental compliance, customer health and safety, energy efficiency and climate change. Looking forward, the Group will continue to review and develop corresponding ESG policies and targets, as well as optimizing the ESG reporting disclosure in order to pursue continuous improvement in our ESG performance in future.

SERVICE AND PRODUCT RESPONSIBILITY

Services/ Product Excellence

Manufacture of bus body in supreme quality is our utmost dedication. We place strong emphasis on securing product superiority in every single stage, from engaging suppliers and clients, business operation, after-sales services, to drive customer satisfaction. As a leading Asia bus manufacturer with 30 years of experience in bus body design, manufacturing and assembling, we have three core missions for product and service excellence.



Continuous Improvement on Quality

The Group takes pride of itself on a relentless pursuit of product quality and service excellence. Bus, as public transportation, its reliability and safety are of paramount importance. A meticulous quality assurance process is conducted for every pre-delivery bus product to ensure its full compliance with technical and safety specification in accordance with various local and international standards and regulations. Inspection, such as tilt test and roll over test is conducted by our well-equipped in-house team as well as our customer to assure its stability and safety in event of rollover accident.

We have applied a quality management system which is certified to the ISO 9001 standard. Periodic management reviews on both internal and external organizational issues help us effectively address the risks and opportunities arose. Our internal quality council, which is formed by employee representatives from all levels, reviews and advances our quality policies and procedures regularly for upholding safety standards. It is also responsible for formulating annual quality management objectives with respect to supplier performance, warehouse operation, and production and quality control to maintain our product supremacy. During the Reporting Period we achieved the goals set on complete on-time delivery and less than five customer complaints were received per month.

Furthermore, we have established a comprehensive procurement system for securing our product quality at source. Suppliers are required to pass through our exhaustive assessment on their product price, delivery service and use of goods for our approved list. Evaluation of existing supplier is also regularly conducted regarding their quality standard and material control, such as identification of non-conforming product and corrective action approach.

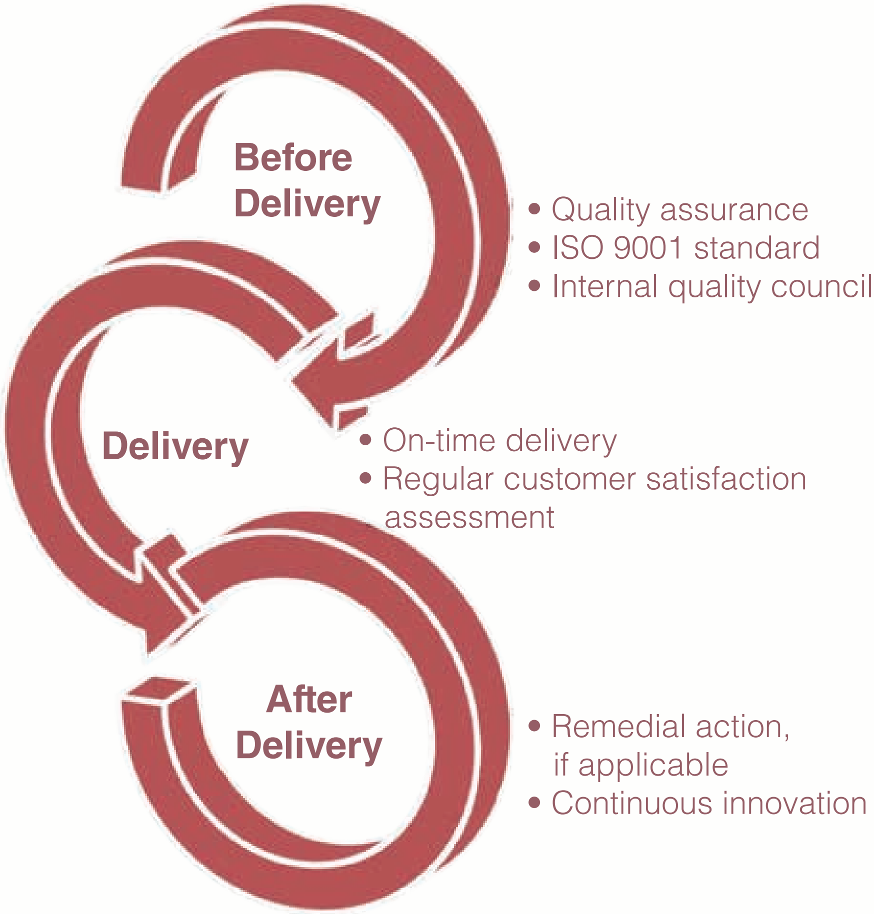
Strive for Customer Satisfaction

The Group believes customer satisfaction paves the way to its business growth; thus, values their opinion most. Apart from the dedication of producing satisfying products, after-sales service quality is what we hold in mind. In addition to customer satisfaction survey which assesses our service quality and altitude, we have published thorough procedures on handling customer complaints. Prompt actions should be taken to investigate the cases and we strive to respond to the clients within a week. We will carry out remedial action plans where necessary and the root cause(s) will be analysed to prevent similar cases from reoccurrence.

Continuous Innovation

Standing at the cutting edge of innovation, Gemilang continues to invest in research and development as well as technology partnership. We always stay enthusiastic and thirsty on optimising bus design to exceed our customer expectation.

During the Reporting Period, we gained our second MAN Innovation Award in the international prestigious bus and coach exhibition Busworld 2019, recognising our dedication of innovation.


Before
Delivery
• Quality assurance
• ISO 9001 standard
• Internal quality council
Delivery
• On-time delivery
• Regular customer satisfaction assessment
After
Delivery
• Remedial action, if applicable
• Continuous innovation

ENVIRONMENTAL SUSTAINABILITY

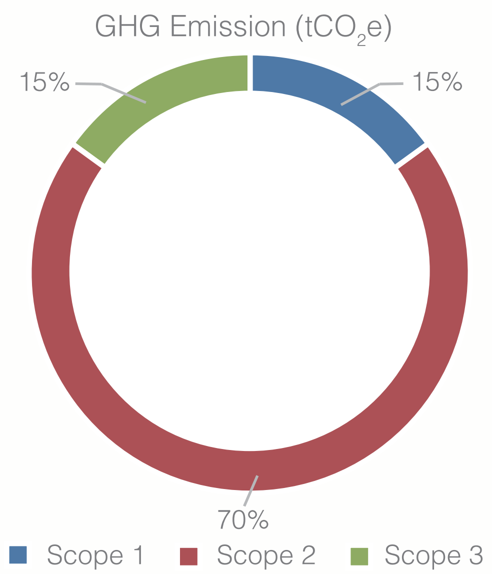
With minimizing our environmental footprint being our prime concern and core business value, we seek every opportunity to relentlessly reinforce our operating efficiency and even beyond our business. A comprehensive set of environmental policies and supporting procedures, covering greenhouse gas emission and resource usage, have been launched. Full compliance with legal requirements and regulations of DOE and National Resources and Environmental has been achieved.

Air and Greenhouse Gas Emissions

To effectively trim our air emission, we start by pollutant source identification and enforce correlating mitigation. Recognising stack emission of our factory is one of the major air emission sources, we keep close track on the amount of dust and particulate matter during our operation by a third-party assessment, so as to ensure the emission level complies the regulatory norms. We also work proactively with the industry and government for a better practice of vehicle emission[2].

Apart from regulating our direct emission from manufacturing, we limit our greenhouse gas ("**GHG**") emission from energy usage and business travel. Electricity consumption contributes the largest part of GHG emission within our business operation. We have established policies, which is explained below on saving our energy. Unnecessary business travel has also been replaced by phone conference or other applicable measures. In 2019, the Group emitted a total of 1,359.11 tCO$_2$e of GHG, with an intensity of 3.70 tCO$_2$e per full-time employee.

GHG Emission	Unit	2018	2019
Total GHG Emission[3]	tCO$_2$e	1,106.49	1,359.11
Intensity[4]	tCO$_2$e/FTE	1.39	3.70



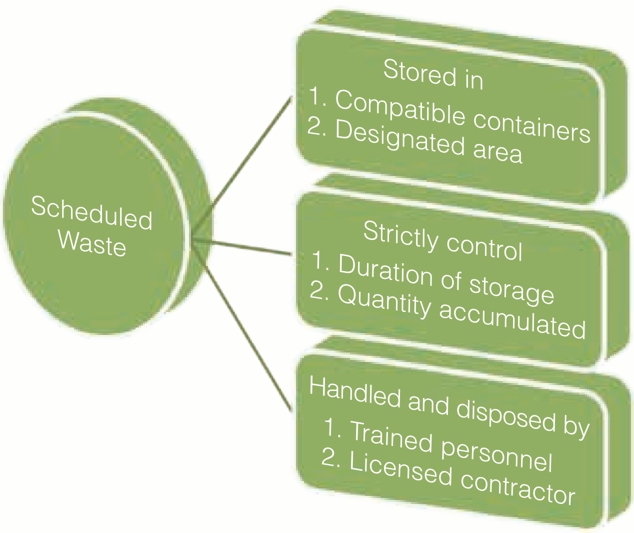
[2] *Emissions from vehicles are not material within the Group.*

[3] *Our recorded GHG emissions include direct ("**Scope 1**"), energy indirect ("**Scope 2**"), and other indirect ("**Scope 3**") emissions generated from our core operations in FY2019 – scope 1 emission consisted of the GHG emissions generated from the combustion of fuels in mobile sources owned by Gemilang; scope 2 emission consisted of the GHG emissions generated from the imported electricity; and scope 3 emission consisted of the GHG emissions generated from air business travel by employees.*

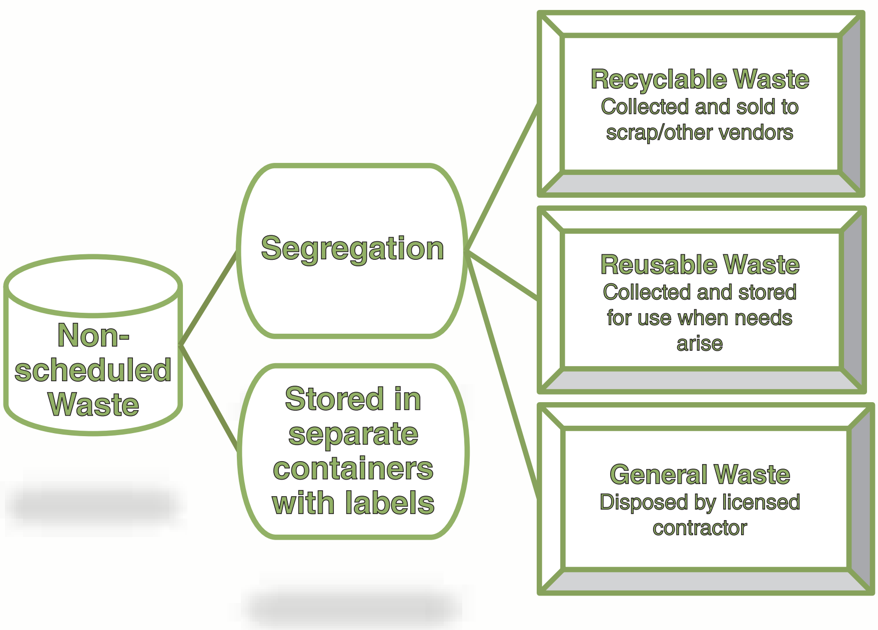
[4] *Intensity is calculated by dividing the sum of recorded data by the total number of the full-time employees ("**FTE**") in the core operations in FY2019.*

Waste Management

Our factory inevitably generates certain amount of industrial waste, such as chemical waste, oil rags and paint in our manufacturing process. Recognising the potential repercussion these waste could have on the environment as well as our worker safety without proper handling, we have established standardised procedures in place. We stringently abide by the Environmental Quality Act 1974 and Environmental Quality (Scheduled Wastes) Regulations and no breaches were identified during this Reporting Year. Disposal of all our scheduled waste listed in the regulation have been registered to the Department of Environment (DOE) and licensed contractors are appointed for the collection of waste.



Besides, we see trash as another type of valuables. We promote recycling and reusing in both our factory and office sites and strike to minimize general waste which can only end up in landfill sites. Materials, such as carton boxes, wires and metals are collected for further production process.



The Environment and Natural Resources

The alarming trend of climate change lately has brought us unprecedented concern on environmental stewardship. Apart from boosting our operational efficiency, we strive to optimize our community environment by providing people a comfortable yet environmentally-friendly bus journey.

We fulfil our sustainable commitment by prudent selection of manufacturing materials which is perfectly demonstrated by our Eco Range Aluminium Body system. Utilizing aluminium instead of steel as the fundamental part of bus body, our bus is therefore lighter in weight, which shrinks fuel consumption and carbon emission. In addition, our bus has a higher scrap value attributed to the huge recyclability of sturdy aluminium. More than 70% of the bus body can be reused or recycled after its service life. Dedicated to revolutionize our green manufacturing process, we promise to constantly seek opportunity to further strengthen the environmental efficiency and recyclability rate of our products.

The Group endeavours to eliminate any wastage of our precious, and most importantly, scarce resources. Adopting the 4R (reduce, reuse, replace and recycle) principles, we are committed to sustainable operation by curtailing the use of energy, water and paper resources. Internal green office guidelines have been established to cultivate habits of our employee to conserve natural resources.

Total amount	Unit	2018	2019
Electricity consumed	MWh	1,298.75	1,361.39
	GJ	4,675.50	4,901.00
Intensity[3]	MWh/FTE	1.63	3.71
Water consumed[5]	m^3	24,292.58	17,379.42
Intensity[3]	m^3/FTE	30.52	47.36
Paper consumed	Tonnes	0.16	1.32
Intensity[3]	Tonnes/FTE	0.0020	0.0036
Packaging consumed[6]	Tonnes	9.10	5.86
Intensity[3]	Tonnes/FTE	0.011	0.02
Hazardous Waste produced[7]	Tonnes	5.89	34.82
Intensity[3]	Tonnes/FTE	0.007	0.09

5 *In 2019, there was no issue in souring water.*

6 *Our recorded packaging data includes carbon boxes and stretch films consumed in the core operations in FY 2019.*

7 *Our recorded hazardous waste data includes the chemical waste, oil rags and paint. We produce insignificant amount of non-hazardous waste, such as domestic waste, and hence data is not available.*

CARE FOR OUR EMPLOYEES

Employment Conditions

Treating our employee as a key to our business world, we place tremendous effort into maintaining a motivating, respectful and inclusive workplace. The Group strictly abides by all the relevant laws and regulations regarding compensation, dismissal, recruitment, working hours, and benefits during the Reporting Year. We have fixed working hours, and work overtime is not encouraged. Forced labour and child labour are prohibited and there was no identified case during the Reporting Period.

We have developed a broad range of responsible employment practices beyond the regulatory minimum within our organisation, including competitive remuneration packages. They are periodically reviewed and adjusted with reference to trends in the labour market and staff appraisal review. Bonus and service awards are granted for appreciation of employees' contribution. On top of all the statutory welfare and holidays, for example, employees provident fund and maternity leave, our staff can also enjoy a comprehensive set of medical benefits, including insurance package and panel clinic, together with compassionate leave and marriage leave.

In addition, we strive to foster a harmonic and work-life balance workplace culture by regularly organizing a wide variety of activities, ranging from annual lunch, festive celebrations, birthday parties, and team-building day.

Figure 1 Annual Lunch

Figure 2 Lunar New Year Celebration

Figure 3 Birthday Party

Figure 4 Team Building

Healthy and Safe Workplace

Perceiving a safe and healthy workplace is the cornerstone of our business operation, we possess a scrupulous standard beyond a full compliance with Occupational Safety and Health Act and Regulations (OSHA 1994) and Factories and Machinery Act with Regulation (FMA 1967). With constant improving our health, safety and environment (HSE) management system being our ultimate goal, we strive to minimize occupational injury and illness as well as nurturing an effective and safe working culture into the workplace. For staff who are responsible for the transfer of scheduled waste, they are well-equipped with a compulsory training session and necessary protective measures before handling the waste.

We have established a comprehensive HSE system with the aim of accident minimization and health preservation. A qualified safety personnel has been appointed for managing our HSE system. To ensure the completeness of occupational safety equipment and the effective run of the system, regular visits have been conducted. Our factories are equipped with sufficient protective measures with proper signs. Every factory worker starts their day by attending a toolbox meeting which involves identified hazards, responsibilities, and safety plan, raising their safety awareness. We also place extreme emphasis on workplace cleanliness, healthy and sanitary conditions, and establish standardized procedures to tackle various incidents. A sound communication channel is also promoted for handling emergency situations. During the Reporting Period, apart from safety training, regular fire drills have been conducted to enhance our workers' safety awareness.

Proactively identifying shortcomings in our HSE management system, we conduct audit review annually. During the Reporting Period, we have performed immediate rectification on the emergency escape route and equipment in our factory, making them more accessible to our workers. Detailed procedures of each production process have also been drafted for further securing our workers' safety.

Besides, internal safety committee meeting is held regularly to review the safety performance of our factory, through site safety inspection and reports, and to suggest improvements. It is also responsible for accident reporting and investigation. Once an accident is reported from a safety officer, our safety committee will take charge of investigating the causes of the incident and recommending measures to prevent reoccurrence.

Equal Employment

At Gemilang, fair and anti-discrimination are our core workplace values. We strive to conduct fair recruitment by solely scrutinizing candidates' competency, and provide equal opportunities to all our employees. There is zero tolerance on any kind of discriminatory behaviour, harassment or victimization at Gemilang, on the basis of but not limited to sex, religion, race, decent or place of birth. All employees must practice equal opportunity policy in all aspects of their work, from recruitment and performance evaluation to interpersonal relations. They are encouraged to report to their managers and supervisors when offensive and disrespectful situations arise. Any forms of harassment or discrimination are regarded as severe misconduct and subject to dismissal.

Development and Training

Professional competency and development of our employee serves a pivotal role in our substantial business growth. We establish a thorough training plan which is updated annually, aiming at upgrading our employee's knowledge and skills to meet the industry and our growing demands.

Our annual training plan is commenced by training needs identification and analysis based on employee's education level, experience, and skill requirements in the form of staff performance appraisal. Apart from enhancing our staff competency, we also take close adherence to social and industry norms into consideration. Keeping abreast of technological advancement, and operational and job diversification, we offer a variety of internal and external coaching programs, including logical thinking strategies, management skills, and work procedures for our competitive workers.

During this Reporting Period, we have held diversified training sessions, nurturing a continuous growth of our employees for keeping up with the fast-paced market. Apart from safety and ethical operation, we offer trainings on our operational systems and the latest market trend. Noting the growing trend of production technology, we also dedicate resources on its training.

Regular evaluation of the training effectiveness in the form of written examination, work performance observation, and self-assessment promote better management of our employee development plan under continuous improvement. Besides, staff can receive regular feedback from their immediate supervisors for building up their working and developmental objectives by annual staff performance review. Manpower succession planning and career development are followed to promote lucrative career ladder, unleashing the potential of our employee.

ETHICAL BUSINESS

Anti-corruption

As an ethical corporate, the Group upholds the highest level of business integrity and exacts zero tolerance on any corruption, bribery, extortion and fraud by the establishment of rigorous code of conduct.

Our employees are strictly prohibited to offer or accept any form of advantages such as gifts, entertainment, rewards and commission, in exchange for jobs, sales and or work location or assignment. If such benefits cannot be refuted from our business associates including vendors, suppliers, freight forwarders, contractors, customers due to politeness, our employees are required to report to the management timely for further handling. Infringement of the Company dishonesty and fraud policy are subject to dismissal or other disciplinary actions.

During the Reporting Period, the Group confirmed that there were no breaches of relevant laws and regulations, including the Prevention of Bribery Ordinance (Cap. 201) of the HKSAR, and no concluded legal cases regarding corruption practices were brought against the Group or our employees.

Conflicts of Interest

The Group formulates guidelines in dealing with any forms of conflict of interest and clearly stated in the Staff Handbook. Our employees are aware of and avoid engaging in any activities which may be in conflict with the principles and interests of the Company and may impair their performance in the Company. All the internal circulation and proprietary information are prohibited to be disclosed to any unauthorized person, and all our employees and suppliers are required to sign the non-disclosure agreement before accessing those information. Any violation of the agreement would be subject to disciplinary actions, including dismissal or legal suit.

COMMUNITY PARTICIPATION

As a leading bus company, not only do we recognise the indispensability of nurturing our future leaders, but also value their innovative ideas. We organised a “Bus Design Competition” which was extended to all existing colleges and university students in Malaysia in conjunction with Gemilang Coachwork 30th Anniversary in 2019. We believe the ingenious and extraordinary ideas in young's mind pave the way of future bus journey. Industrial training is also offered to the potential and talented candidates. Besides, we always show support and has made donations to local universities and colleges, and orphanage for renovation and facility upgrade during the Reporting Period.

HKEx ESG REPORTING GUIDE INDEX

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect A: Environment		
A1 Emissions	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. *Note:* *Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.*	Environmental Sustainability – Air and Greenhouse Gas Emissions
KPI A1.1	The types of emissions and respective emissions data.	Environmental Sustainability – Air and Greenhouse Gas Emissions
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Sustainability – Air and Greenhouse Gas Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Sustainability – Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Sustainability – Waste Management
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Environmental Sustainability – Waste Management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Environmental Sustainability – Waste Management

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
A2 Use of Resources	Policies on efficient use of resources including energy, water and other raw materials. *Note:* *Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.*	Environmental Sustainability – The Environment and Natural Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental Sustainability – The Environment and Natural Resources
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Sustainability – The Environment and Natural Resources
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Environmental Sustainability – The Environment and Natural Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Environmental Sustainability – The Environment and Natural Resources
KPI A2.5	Total packaging material used for finished products (in tonnes), and, if applicable, with reference to per unit produced.	Environmental Sustainability – The Environment and Natural Resources
A3 The Environment and Natural Resources	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Sustainability – The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Sustainability – The Environment and Natural Resources

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect B: Social		
B1 Employment	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Care for Our Employees – Employment Conditions
B2 Health and Safety	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Care for Our Employees – Healthy and Safe Workplace
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. *Note: Training refers to vocational training. It may include internal and external courses paid by the employer.*	Care for Our Employees – Development and Training
B4 Labour Standards	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.	Care for Our Employees – Employment Conditions
B5 Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	Service and Product Responsibility – Service/ Product Excellence
B6 Product Responsibility	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Service and Product Responsibility – Service/ Product Excellence
B7 Anti-corruption	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Ethical Business
B8 Community Investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Participation

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

(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Gemilang International Limited ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 73 to 156, which comprise the consolidated statement of financial position as at 31 October 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 October 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (Continued)

Revenue recognised from sales of bus bodies and kits

Refer to Note 5 to the consolidated financial statements and the accounting policies on Note 2(u) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
Revenue for the year ended 31 October 2019 was material to the financial statements for the Group. Revenue from sales of bus bodies and kits is recognised at a point in time when the customer obtains control of the distinct goods. The accounting policy for revenue recognition is disclosed in Note 2(u) to the consolidated financial statements. The Group recognised revenue of approximately US$60,382,000 from the sale of bus bodies and kits for the year ended 31 October 2019.	Our audit procedures in relation to revenue recognised from the sale of bus bodies and kits included: • We obtained an understanding and tested the management's key controls over the recognition of revenue from the sale of bus bodies and kits; • We checked the terms set out in the sales and purchases agreements and assessed whether the control of the goods had been transferred to the customers by the review of delivery notes and customers' acceptance on a sample basis; and • We tested material revenue transactions that took place close to the end of the reporting period to assess whether revenue was recognised in the correct reporting period.

KEY AUDIT MATTERS (Continued)

Provision for inventories

Refer to Note 18 to the consolidated financial statements and the accounting policies on Note 2(l) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 October 2019, the Group held inventories of US$18,040,000 which were material to the financial statements of the Group. Significant judgements and estimates were required for management to assess the appropriate level of provision for these inventories. This took into account factors that included but are not limited to economic outlook, the latest purchase price of raw materials and latest selling price of bus bodies and kits.	Our audit procedures included: • We obtained an understanding of procedures taken by management to estimate the net realisable value of inventories and the respective basis of inventory provision policy adopted by the Group; and • We tested the ageing analysis and also assessed the inventory provision made by management by comparing the subsequent selling price of the finished products to their costs on a sample basis.

Recoverability of trade receivables

Refer to Note 19 to the consolidated financial statements and the accounting policies on Notes 2(j)(i) and Note 2(m) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 October 2019, the Group recorded gross trade receivables of US$16,153,000 and loss allowance of US$3,684,000, which were material to the financial statements of the Group. The Group measures loss allowance on trade receivables at amounts equal to lifetime expected credit losses. Expected credit losses ("**ECL**") on these financial assets are estimated using a provision matrix which involves significant management judgement in estimating the expected loss rate based on historical credit loss experience, adjusting factors that are specific to the debtors and assessment of both current and forecast general economic conditions. We identified impairment assessment of trade receivables as a key audit matter because of the significance of the Group's trade receivables to the consolidated financial statements, combined with the significant degree of estimations made by the management in estimating ECL of trade receivables which may affect their carrying values at the end of the reporting period.	Our audit procedures included: • We obtained an understanding of how the management assesses the ECL of trade receivables; • We tested the mathematical accuracy of the ECL model on trade receivables prepared by the management; • We tested whether items in the ageing report were categorised appropriately on a sample basis; • We assessed the reasonableness of the ECL by testing the accuracy of the historical default rate and examining the reasonableness of the forward looking information used by the management; and • We assessed the related disclosures in the consolidated financial statements with reference to the requirements of HKFRS 7.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 20 January 2020

Lau Kwok Hung
Practising Certificate Number: P04169

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 October 2019
(Expressed in United States dollars)

	Note	2019 US$'000	2018 US$'000
Revenue	5	**63,163**	57,091
Cost of sales		**(50,357)**	(44,959)
Gross profit		**12,806**	12,132
Other revenue	6	**134**	77
Other net income	6	**813**	36
Selling and distribution expenses		**(1,739)**	(5,389)
Net allowance for impairment losses on trade receivables		**(709)**	(2,691)
General and administrative expenses		**(4,859)**	(4,631)
Profit/(loss) from operations		**6,446**	(466)
Finance costs	7(a)	**(785)**	(798)
Share of (loss) of an associate		**(483)**	(100)
Profit/(loss) before taxation	7	**5,178**	(1,364)
Income tax	11	**(1,477)**	(82)
Profit/(loss) for the year attributable to the equity owners of the Company		**3,701**	(1,446)
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**109**	399
Total comprehensive income/(loss) for the year attributable to equity owners of the Company		**3,810**	(1,047)
Earnings/(loss) per share (US cents per share)	12		
– Basic		**1.47**	(0.58)
– Diluted		**1.47**	(0.58)

The notes on pages 79 to 156 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 October 2019
(Expressed in United States dollars)

	Note	2019 US$'000	2018 US$'000
Non-current assets			
Property, plant and equipment	13	**7,777**	8,094
Intangible assets	15	**327**	323
Interest in a joint venture	16	**–**	–
Interest in an associate	17	**–**	545
Deferred tax assets	26(b)	**40**	–
		8,144	8,962
Current assets			
Inventories	18	**18,040**	17,738
Trade and other receivables	19	**13,485**	12,240
Tax recoverable	26(a)	**–**	1,069
Pledged bank deposits	21	**3,300**	2,711
Cash and bank balances	22	**3,830**	4,246
		38,655	38,004
Current liabilities			
Trade and other payables	23	**11,657**	17,477
Contract liabilities	20	**4,839**	–
Bank borrowings	24	**8,564**	9,651
Bank overdrafts	22, 24	**1,546**	2,602
Obligations under finance leases	25	**62**	70
Provision for taxation	26(a)	**481**	78
		27,149	29,878
Net current assets		**11,506**	8,126
Total assets less current liabilities		**19,650**	17,088

As at 31 October 2019
(Expressed in United States dollars)

	Note	2019 US$'000	2018 US$'000
Non-current liabilities			
Obligations under finance leases	25	60	77
Deferred tax liabilities	26(b)	–	112
		60	189
Net assets		19,590	16,899
Capital and reserves	29		
Share capital		324	324
Reserves		19,266	16,575
Total equity attributable to owners of the Company		19,590	16,899

Approved and authorised for issue by the board of directors on 20 January 2020.

Phang Sun Wah
Director

Pang Chong Yong
Director

The notes on pages 79 to 156 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 October 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	322	10,851	679	(845)	342	7,352	18,701
Changes in equity for 2017/2018:							
(Loss) for the year	–	–	–	–	–	(1,446)	(1,446)
Other comprehensive income for the year							
Exchange differences on translation of financial statements of foreign operations	–	–	–	399	–	–	399
Total comprehensive (loss) for the year	–	–	–	399	–	(1,446)	(1,047)
Exercise of share options *(Note 27)*	2	281	–	–	(71)	–	212
Lapse of share options *(Note 27)*	–	–	–	–	(11)	11	–
Dividend paid *(Note 10)*	–	(967)	–	–	–	–	(967)
At 31 October 2018	324	10,165*	679*	(446)*	260*	5,917*	16,899
At 1 November 2018	324	10,165	679	(446)	260	5,917	16,899
Impact on initial application of HKFRS 9 *(Note 3)*	–	–	–	–	–	(211)	(211)
Adjusted balance at 1 November 2018	324	10,165	679	(446)	260	5,706	16,688
Changes in equity for 2018/2019:							
Profit for the year	–	–	–	–	–	3,701	3,701
Other comprehensive income for the year							
Exchange differences on translation of financial statements of foreign operations	–	–	–	109	–	–	109
Total comprehensive income for the year	–	–	–	109	–	3,701	3,810
Exercise of share options *(Note 27)*	–	86	–	–	(22)	–	64
Lapse of share options *(Note 27)*	–	–	–	–	(15)	15	–
Dividend paid *(Note 10)*	–	(972)	–	–	–	–	(972)
At 31 October 2019	324	9,279*	679*	(337)*	223*	9,422*	19,590

* *These reserve accounts comprise consolidated reserves of approximately US$19,266,000 (2018: US$16,575,000) in the consolidated statement of financial position.*

The notes on pages 79 to 156 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 October 2019
(Expressed in United States dollars)

	Note	2019 US$'000	2018 US$'000
Operating activities			
Profit/(loss) before taxation		5,178	(1,364)
Adjustments for:			
Net allowance for impairment losses on trade receivables	7(c)	709	2,691
Provision for writedown of inventories		592	–
Depreciation	7(c)	556	558
(Gain) on disposal of property, plant and equipment	7(c)	–	(4)
Share of loss of an associate		483	100
Loss on disposal of an associate	7(c)	12	–
Unrealised (gain)/loss on foreign exchange		(116)	221
Interest expenses	7(a)	785	798
Interest income	6	(114)	(66)
Operating cash flows before movements in working capital		8,085	2,934
(Increase) in inventories		(686)	(3,772)
(Increase)/decrease in trade and other receivables		(2,084)	1,934
(Decrease)/increase in trade and other payables		(2,552)	2,016
Increase in contract liabilities		1,372	–
Cash generated from operations		4,135	3,112
Income tax paid		(97)	(1,087)
Net cash generated from operating activities		4,038	2,025
Investing activities			
Interest received		114	66
Proceeds from disposal of property, plant and equipment		–	29
Proceeds from disposal of an associate		50	–
Payments for purchase of property, plant and equipment		(100)	(594)
Payments for purchase of intangible assets		–	(41)
Net cash generated from/(used in) investing activities		64	(540)

For the year ended 31 October 2019
(Expressed in United States dollars)

	Note	2019 US$'000	2018 US$'000
Financing activities			
Proceeds from shares issued by the Company		**64**	212
(Increase) in pledged bank deposits		**(551)**	(674)
Proceeds from bank borrowings		**46,889**	26,013
Repayment of bank borrowings		**(48,016)**	(23,614)
Repayment of finance lease payables		**(73)**	(73)
Interest expenses		**(763)**	(852)
Dividend paid		**(972)**	(967)
Net cash (used in)/generated from financing activities		**(3,422)**	45
Net increase in cash and cash equivalents		**680**	1,530
Effects of foreign exchange translation		**(40)**	(48)
Cash and cash equivalents at beginning of the year		**1,644**	162
Cash and cash equivalents at end of the year	*22*	**2,284**	1,644

The notes on pages 79 to 156 form part of these financial statements.

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability. The Company's registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business in Hong Kong and Malaysia are located at Room 1602, 16/F, Park Commercial Centre, 180 Tung Lo Wan Road, Causeway Bay, Hong Kong and Ptd 42326 Jalan Seelong, Mukim Senai 81400 Senai, Johor, West Malaysia respectively.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 14. As at 31 October 2019, the directors consider that the Company is ultimately controlled by Mr. Phang Sun Wah and Mr. Pang Chong Yong (the "**Controlling Shareholders**").

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from the initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 October 2019 comprises the Company and its subsidiaries (together referred to as the "**Group**") and the Group's interest in a joint venture and an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that derivative financial instruments (see note 2(q)) are stated at their fair value.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have a significant effect on the consolidated financial statements and key sources of estimation uncertainty are discussed in Note 4.

(c) Business combinations

(i) Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities of the entities being combined are measured at the carrying amounts as recorded by the entity being combined at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination (or the total face value of shares issued) is adjusted to equity. The combination date is the date on which one combining entity effectively obtains control of the other combining entities.

(ii) Business combinations involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. The acquirer, at the acquisition date, allocates the cost of the business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at their fair value at that date.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) New and revised HKFRSs not yet effective

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 October 2019 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRS 9, HKAS 39, HKFRS 7	Interest Rate Benchmark Reform[2]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for annual periods beginning on or after a date to be determined

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

HKFRS 16 Leases

As disclosed in Note 2(i), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

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

For the year ended 31 October 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

HKFRS 16 Leases (Continued)

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss and other comprehensive income over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 November 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 November 2019 and will not restate the comparative information. As at 31 October 2019, the Group has non-cancellable operating lease commitments of US$732,000 as disclosed in Note 32. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statement from 2019 onwards.

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Subsidiaries and non-controlling interests (Continued)

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(j)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Associates and joint ventures

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

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal Group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(j)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year and the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income are recognised in the consolidated statement of profit or loss and other comprehensive income.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment and depreciation

Property, plant and equipment, other than freehold land and building in progress, are stated at cost less any accumulated depreciation and any accumulated impairment losses (see Note 2(j)(ii)):

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives. The principal annual rates used for this purpose are as follows:

Buildings	2%
Plant and machinery	10% to 15%
Tools and equipment	10%
Motor vehicles	20%
Furniture, fittings and office equipment	10% to 25%

Freehold land is stated at cost less identified impairment losses. No depreciation is provided for freehold land.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

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

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

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

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Intangible asset

Intangible asset is measured at cost less accumulated impairment losses, if any. Intangible asset with indefinite useful life is tested for impairment at least annually, and whenever there is an indication that they may be impaired (Note 2(j)(ii)). The impairment loss of intangible asset is recognised immediately in profit or loss.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset or, if lower, the present value of the minimum lease payments of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in Note 2(g). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 2(j)(ii). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Leased assets (Continued)

(iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments

(a) Policy applicable from 1 November 2018

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables)

Financial assets measured at fair value, including equity securities measured at fair value through profit or loss (FVPL), equity securities designated at fair value through other comprehensive income (FVOCI) (non-recycling) and derivative financial assets are not subject to the ECL assessment.

Measurement of ECLs

ECLs are probability-weighted estimates 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 are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

(a) Policy applicable from 1 November 2018 (Continued)

Measurement of ECLs (Continued)

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 instruments, 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.

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. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

(a) Policy applicable from 1 November 2018 (Continued)

Significant increases in credit risk (Continued)

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 instrument'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 instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

(a) Policy applicable from 1 November 2018 (Continued)

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(u)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

(b) Policy applicable prior to 1 November 2018

Prior to 1 November 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (for example, trade and other receivables and available-for-sale investments). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence existed, any impairment loss is determined and recognised as follows:

– For trade and other receivables and other financial assets carried at amortised cost, impairment loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting was material. This assessment was made collectively where these financial assets share similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

(b) Policy applicable prior to 1 November 2018 (Continued)

When the recovery of a trade debtor or other financial assets carried at amortised cost was considered doubtful but not remote, the associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

(ii) Impairment of non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– intangible assets; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(ii) Impairment of non-current assets (Continued)

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(u)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(j)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(m)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see Note 2(u)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(m)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(u)(iv)).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(k)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(j)(i)).

(n) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(w)).

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for expected credit losses (ECLs) in accordance with the policy set out in Note 2(j)(i).

(q) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(r) Employee benefits

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

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

(ii) Share-based payments

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

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

(iii) Termination benefits

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future or, in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Income tax (Continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Provisions for the expected cost of warranty obligations under the relevant sales contracts are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods and the provision of services.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue from the sales of bus bodies and kits and related parts are recognised based upon goods delivered, which is the point in time when the customer has the ability to direct the use and obtain the control of the goods and the goods have been accepted by the customers.

In the comparative period, revenue from sales of goods was recognised upon delivery of goods and customers' acceptance. The change in accounting policy does not have significant impact on revenue recognition.

(ii) Revenue from after-sales and maintenance services for buses

Revenue from after-sales and maintenance services for buses is recognised when the services are completed.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

(iv) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or fair value through other comprehensive income ("**FVOCI**") (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(j)(i)).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The functional currency of the Company is Hong Kong dollars ("**HK$**"). The results of companies comprising the Group are translated into United States Dollars ("**US$**") at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Consolidated statement of financial position items are translated into US$ at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

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

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in these financial statements, are identified from the financial information provided regularly to the Company's board of directors (the chief operating decision maker) for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

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

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HK(IFRIC) 22	Foreign currency transactions and advance consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see Note 2(d)).

HKFRS 9 Financial instruments

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. 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.

The following table summarises the impact of transition to HKFRS 9 on retained profits and reserves and the related tax impact on 1 November 2018.

	US$'000
Retained earnings	
Recognition of additional expected credit losses on:	
– financial assets measured at amortised cost	(277)
Related tax	66
Net decrease in retained earnings at 1 November 2018	(211)

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

HKFRS 9 Financial instruments (Continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. Classification of financial assets and financial liabilities

HKFRS 9 categorises 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. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset within the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount as at 31 October 2018	Remeasurement	HKFRS 9 carrying amount as at 1 November 2018
	US$'000	*US$'000*	*US$'000*
Financial assets carried at amortised cost			
Trade and other receivables	12,240	(277)	11,963
Pledged bank deposit	2,711	–	2,711
Cash and bank balances	4,246	–	4,246
	19,197	(277)	18,920

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in notes 2(j)(i), (m) and (p).

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 November 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 November 2018.

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

HKFRS 9 Financial instruments (Continued)

b. *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 following items:

– financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables)

For further details on the Group's accounting policy for accounting for credit losses, see Note 2(j)(i) and (ii).

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 October 2018 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 November 2018.

	US$'000
Loss allowance at 31 October 2018 under HKAS 39	2,678
Additional credit loss recognised at 1 November 2018 on:	
– Trade receivables	277
Loss allowance at 1 November 2018 under HKFRS 9	2,955

c. *Transition*

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings as at 1 November 2018. Accordingly, the information presented for 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 November 2018 (the date of initial application of HKFRS 9 by the Group).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

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

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.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 November 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 November 2018. There are no significant impact of the requirement of HKFRS 15 on the Group's retained earnings and reserves as at 1 November 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

a. Timing of revenue recognition

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

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

HKFRS 15 Revenue from contracts with customers (Continued)

a. *Timing of revenue recognition* (Continued)

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised goods or services 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 goods or services 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 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that goods or services 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 when the Group recognises revenue and the Group continues to recognise revenue from the sale of goods and services at point in time.

b. *Presentation of contract assets and liabilities*

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue (see Note 2(u)) before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, 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. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis (see Note 2(k)).

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

HKFRS 15 Revenue from contracts with customers (Continued)

b. *Presentation of contract assets and liabilities* (Continued)

To reflect these changes in presentation, the Group has made the following adjustments at 1 November 2018, as a result of the adoption of HKFRS 15:

(i) The Group reclassified US$3,411,000 from advance deposits from customers included in trade and other payables to contract liabilities (Note 20).

c. *Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 October 2019 as a result of the adoption of HKFRS 15 on 1 November 2018*

The following tables summarise the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 October 2019, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 if this superseded standard had continued to apply after 1 November 2018 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

	Amounts reported in accordance with HKFRS 15 (A) *US$'000*	Hypothetical amounts under HKAS 18 (B) *US$'000*	Difference: Estimated impact of adoption of HKFRS 15 (A)-(B) *US$'000*
Line items in the consolidated statement of financial position as at 31 October 2019 impacted by adoption of HKFRS 15:			
Current liabilities			
Trade and other payables	11,657	16,496	(4,839)
Contract liabilities	4,839	–	4,839
Line items in the reconciliation of profit before taxation to cash generated from operations for the year ended 31 October 2019 impacted by adoption of HKFRS 15:			
(Decrease) in trade and other payables	(2,552)	(1,180)	(1,372)
Increase in contract liabilities	1,372	–	1,372

The significant differences arise as a result of the changes in accounting policies described above.

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

HK(IFRIC) 22 Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Key sources of estimation uncertainty

(i) Impairment of property, plant and equipment and intangible assets

If circumstances indicate that the carrying amounts of property, plant and equipment and intangible assets may not be recoverable, the assets may be considered impaired, and an impairment loss may be recognised to reduce the carrying amounts to the recoverable amount in accordance with the accounting policy for impairment of these assets as described in Note 2(j)(ii). The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to level of revenue and amount of operating costs. Management uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and the amount of operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(ii) Depreciation of property, plant and equipment

Management estimates the useful lives of property, plant and equipment based on the periods over which the assets are expected to be available for use. Management reviews annually their estimated useful lives, based on factors that include asset utilisation, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase depreciation charges and decrease the carrying amount of property, plant and equipment.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(a) Key sources of estimation uncertainty (Continued)

(iii) Provision of ECL for trade receivables

The Group uses a provision matrix to calculate ECL for the trade receivables. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Note 30(a).

(iv) Net realisable value of inventories

As described in Note 2(l), net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling the products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior periods and affect the Group's net assets value. Management reassesses these estimates at the end of each reporting period to ensure inventories are shown at the lower of cost and net realisable value.

(v) Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgment on the future tax treatment of certain transactions. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences, unused tax losses and unused tax credits. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(b) Critical accounting judgements

(i) Impairment of financial assets

The loss allowance for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 30(a).

5. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

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

	2019 ***US$'000***	2018 *US$'000* *(Note)*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or services		
– Sales of bus bodies and kits	**60,382**	54,264
– Sales of parts and provision of relevant services	**2,781**	2,827
	63,163	57,091

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 (see Note 3).

As at 31 October 2019, the aggregate amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is US$37,451,000. This amount represents revenue expected to be recognised in future from sales of bus bodies and kits contracts entered into between the customers and the Group. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to be during the year ending 31 October 2020.

5. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting

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

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

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

– Sales of parts and provision of relevant services – dealing in spare parts for buses and provision of after-sales and maintenance services for buses

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of head office and corporate expenses, other revenue, other net income, finance costs and share of (loss) of an associate. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

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

Information regarding the above segments is reported below.

5. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

For the year ended 31 October 2019

	Sales of bus bodies and kits *US$'000*	Sales of parts and provision of relevant services *US$'000*	Total *US$'000*
Revenue from external customers recognised at a point in time	60,382	2,781	63,163
Reportable segment revenue	60,382	2,781	63,163
Reportable segment profit	6,796	695	7,491
Unallocated head office and corporate expenses:			
– Other expenses			(1,992)
Other revenue			134
Other net income			813
Finance costs			(785)
Share of (loss) of an associate			(483)
Profit before income tax			5,178
Other segment information			
Depreciation	556	–	556
Net allowances for impairment losses on trade receivables	577	132	709
Provision for writedown of inventories	592	–	592

5. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

For the year ended 31 October 2018

	Sales of bus bodies and kits *US$'000*	Sales of parts and provision of relevant services *US$'000*	Total *US$'000*
Revenue from external customers	54,264	2,827	57,091
Reportable segment revenue	54,264	2,827	57,091
Reportable segment profit	799	406	1,205
Unallocated head office and corporate expenses:			
– Other expenses			(1,784)
Other revenue			77
Other net income			36
Finance costs			(798)
Share of (loss) of an associate			(100)
(Loss) before income tax			(1,364)
Other segment information			
Depreciation	558	–	558
Net allowances for impairment losses on trade receivables	2,685	6	2,691

5. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Geographical information

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

	Revenues from external customers	
	2019	2018
	US$'000	*US$'000*
Malaysia (place of domicile)	**110**	280
Singapore	**28,726**	26,785
Australia	**7,459**	15,449
Hong Kong	**8,808**	8,221
Uzbekistan	**318**	4,078
Indonesia	**–**	1,532
United Arab Emirates	**16,196**	–
Others	**1,546**	746
	63,163	57,091

	Non-current assets	
	2019	2018
	US$'000	*US$'000*
Malaysia	**8,104**	8,417
Australia	**–**	545
	8,104	8,962

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

For the year ended 31 October 2019

5. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Information about major customers

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

	2019 US$'000	2018 US$'000
Customer A	25,671	25,132
Customer B	N/A*	7,272
Customer C	8,785	7,200
Customer D	16,196	N/A*
	50,652	39,604

* *The corresponding revenue did not contribute 10% or more of the Group's revenue.*

The revenues are solely attributed to the sales of bus bodies and kits segment.

6. OTHER REVENUE AND OTHER NET INCOME

	2019 US$'000	2018 US$'000
Other revenue		
Bank interest income	114	66
Total interest income on financial assets measured at amortised cost	114	66
Rental income	5	5
Others	15	6
	134	77
Other net income		
Net foreign exchange gain	825	32
Gain on disposal of property, plant and equipment	–	4
Loss on disposal of an associate	(12)	–
	813	36

7. PROFIT/(LOSS) BEFORE TAXATION

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

(a) Finance costs

	2019 US$'000	2018 US$'000
Interest on bank borrowings	778	788
Finance charge on obligations under finance leases	7	10
Total interest expenses on financial liabilities not at fair value through profit or loss	785	798

(b) Staff costs (including directors' emoluments)

	2019 US$'000	2018 US$'000
Salaries, wages and other benefits	3,470	3,059
Contributions to defined contribution retirement plans	411	391
	3,881	3,450

(c) Other items

	2019 US$'000	2018 US$'000
Net allowance for impairment losses on trade receivables	709	2,691
Auditors' remuneration	162	162
Cost of inventories* *(Note 18)*	50,357	44,959
Depreciation	556	558
Net foreign exchange (gain)	(825)	(32)
(Gain) on disposal of property, plant and equipment	–	(4)
Loss on disposal of an associate	12	–
Operating lease charges: minimum lease payments in respect of		
– properties	560	613
– equipment	17	12

* *Cost of inventories includes approximately US$1,350,000 (2018: US$1,282,000) relating to staff costs and depreciation charges, which amount is also included in the respective total amounts disclosed separately above or in the Note 7(b) for each of these types of expenses.*

For the year ended 31 October 2019

8. DIRECTORS' EMOLUMENTS

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

Year ended 31 October 2019

	Directors' fees *US$'000*	Salaries, allowances and benefits in kind *US$'000*	Contribution to defined contribution plan *US$'000*	Total *US$'000*
Executive directors				
Mr. Phang Sun Wah *(Chairman)*	16	362	43	421
Mr. Pang Chong Yong *(Chief executive)*	16	362	43	421
Ms. Phang Huey Shyan	16	164	19	199
Independent non-executive directors				
Ms. Lee Kit Ying	39	–	–	39
Ms. Wong Hiu Ping	15	–	–	15
Ms. Kwok Yuen Shan Rosetta	15	–	–	15
Mr. Huan Yean San	15	–	–	15
	132	888	105	1,125

8. DIRECTORS' EMOLUMENTS (Continued)

Year ended 31 October 2018

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

Notes:

(i) *The remuneration shown above included remuneration received from the Group by the directors in their capacity as employees of the subsidiaries during the years ended 31 October 2019 and 2018.*

(ii) *No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 October 2019 (2018: Nil). No director waived or agreed to waive any emoluments during the year ended 31 October 2019 (2018: Nil).*

For the year ended 31 October 2019

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2018: three) are directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other two (2018: two) individuals are as follows:

	2019 **US$'000**	2018 US$'000
Salaries and other emoluments	**296**	329
Contributions to retirement benefits scheme	**37**	31
Share-based payments	**–**	–
	333	360

The emoluments of two (2018: two) individuals with the highest emoluments are within the following bands:

	2019 **Number of individuals**	2018 Number of individuals
HK$Nil to HK$1,000,000 (Equivalent to US$Nil to US$128,866)	**1**	–
HK$1,000,001 to HK$1,500,000 (Equivalent to US$128,866 to US$193,299)	**–**	2
HK$1,500,001 to HK$2,000,000 (Equivalent to US$193,299 to US$257,732)	**1**	–
	2	2

No emoluments were paid or payable by the Group to these employees as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 October 2019 (2018: Nil).

10. DIVIDENDS

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

	2019	2018
	US$'000	*US$'000*
Interim dividend declared and paid of HK$0.03 per ordinary share (2018: HK$Nil per ordinary share)	**972**	–
Final dividend proposed after the end of the reporting period of HK$0.05 per ordinary share (2018: HK$Nil per ordinary share)	**1,620**	–
	2,592	–

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

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

	2019	2018
	US$'000	*US$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$Nil per ordinary share (2018: HK$0.03)	**–**	967
	–	967

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

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

	2019	2018
	US$'000	*US$'000*
Current tax		
Charge for the year	**1,562**	143
Underprovision in respect of prior years	**–**	159
Deferred tax *(Note 26(b))*		
Origination and reversal of temporary differences	**(85)**	(220)
Income tax expense for the year	**1,477**	82

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

(ii) Hong Kong profits tax rate is 16.5% for the year ended 31 October 2019 (2018: 16.5%). The Group is not subject to Hong Kong profits tax as it has no assessable income arising in and derived from Hong Kong for the years ended 31 October 2019 and 2018.

(iii) PRC subsidiaries are subject to The People's Republic of China ("**PRC**") Enterprise Income Tax ("**EIT**") at rate of 25% (2018: 25%). The PRC subsidiaries are not subject to PRC EIT as they did not commence business during the years ended 31 October 2019 and 2018.

(iv) GML Coach Technology Pte. Limited, a wholly-owned subsidiary of the Group is subject to Singapore statutory income tax rate of 17% (2018: 17%).

(v) Gemilang Coachwork Sdn. Bhd., a wholly-owned subsidiary of the Group is subject to Malaysia statutory income tax rate of 24% (2018: 24%).

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

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

	2019	2018
	US$'000	*US$'000*
Profit/(loss) before taxation	**5,178**	(1,364)
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to the profit/(loss) in the countries concerned	**1,360**	(169)
Tax effect of non-deductible expenses	**391**	491
Tax effect on non-taxable income	**(205)**	(257)
Underprovision in respect of prior years	**–**	159
Others	**(69)**	(142)
	1,477	82

12. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the consolidated profit/(loss) attributable to equity shareholders of the Company of approximately US$3,701,000 (2018: consolidated loss of US$1,446,000) and the weighted average number of approximately 251,211,000 ordinary shares (2018: 250,910,000 ordinary shares) in issue during the year. The weighted average number of ordinary shares in issue during the year ended 31 October 2019 is determined by (1) the issued ordinary shares at 1 November 2018 of 251,080,000 shares and (2) effect of issue of shares under the Company's share option scheme of 131,000 shares. The weighted average number of ordinary shares in issue during the year ended 31 October 2018 is determined by (1) the issued ordinary shares at 1 November 2017 of 250,144,000 shares and (2) effect of issue of shares under the Company's share option scheme of 766,000 shares.

(b) Diluted earnings/(loss) per share

For the year ended 31 October 2019, diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all the Company's outstanding share options.

	2019 ***US$'000***
Profit attributable to owners of the Company	**3,701**

	2019 ***'000***
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**251,211**
Effect of dilutive potential ordinary shares: Share options *(Note 27)*	**35**
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**251,246**
Diluted earnings per share (US cent)	**1.47**

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

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land US$'000	Buildings US$'000	Plant and machinery US$'000	Tools and equipment US$'000	Motor vehicles US$'000	Furniture, fittings and office equipment US$'000	Total US$'000
Cost:							
At 1 November 2017	1,817	5,116	1,249	490	876	1,124	10,672
Additions	–	–	41	48	100	405	594
Disposal/written off	–	–	(22)	(111)	(116)	(235)	(484)
Exchange realignment	21	59	14	8	11	14	127
At 31 October 2018	1,838	5,175	1,282	435	871	1,308	10,909
At 1 November 2018	1,838	5,175	1,282	435	871	1,308	10,909
Additions	–	–	28	4	71	45	148
Disposal/written off	–	–	–	–	(25)	–	(25)
Exchange realignment	22	61	15	5	11	17	131
At 31 October 2019	1,860	5,236	1,325	444	928	1,370	11,163
Accumulated depreciation:							
At 1 November 2017	–	638	775	226	506	543	2,688
Depreciation for the year	–	107	86	51	149	165	558
Disposal/written off	–	–	(22)	(104)	(104)	(229)	(459)
Exchange realignment	–	3	6	5	4	10	28
At 31 October 2018	–	748	845	178	555	489	2,815
At 1 November 2018	–	748	845	178	555	489	2,815
Depreciation for the year	–	101	70	43	150	192	556
Disposal/written off	–	–	–	–	(25)	–	(25)
Exchange realignment	–	10	11	3	8	8	40
At 31 October 2019	–	859	926	224	688	689	3,386
Carrying amount							
At 31 October 2019	1,860	4,377	399	220	240	681	7,777
At 31 October 2018	1,838	4,427	437	257	316	819	8,094

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) During the year ended 31 October 2019, additions to motor vehicles of the Group under new finance leases were approximately US$48,000 (2018: Nil). As at 31 October 2019 and 2018, the carrying amount of property, plant and equipment held under finance leases was as follow:

	2019	2018
	US$'000	*US$'000*
Motor vehicles	**138**	180

(b) The carrying amount of assets pledged to secure certain banking facilities granted to the Group (Note 24) was as follow:

	2019	2018
	US$'000	*US$'000*
Freehold land	**1,860**	1,838
Buildings	**4,377**	4,427
	6,237	6,265

14. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 October 2019:

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

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

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

15. INTANGIBLE ASSETS

	US$'000
Cost:	
At 1 November 2017	281
Additions	41
Exchange realignment	1
At 31 October 2018	323
At 1 November 2018	323
Exchange realignment	4
At 31 October 2019	327

The intangible assets mainly represents the expenses incurred to obtain certifications in Australia in complying with the relevant Australian Design Rules (ADRs) for vehicle safety, anti-theft and emissions which is a requirement for exporting the Group's products to the Australia market. The certifications, which do not require subsequent renewal on approved bus models, are considered by the directors of the Company as having indefinite useful lives because there is no specified limit on the period over which they are expected to contribute net cash inflows to the Group until their useful lives are determined to be finite. The carrying amounts of the certifications are tested annually for impairment and whenever there is an indication that they may be impaired.

For the purposes of impairment testing, the respective recoverable amounts at year end of the cash-generating unit relating to sales of buses bodies business to which these certifications are allocated, using a value in use calculation, exceed the carrying amounts. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period and a discount rate of 15.75% (2018: 16.12%). Cash flows beyond that five-year period have been extrapolated using a steady 3% (2018: 3%) growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the cash-generating unit operates. Accordingly, the directors determined that there was no impairment in value of the certifications as at 31 October 2019 and 2018.

16. INTEREST IN A JOINT VENTURE

Details of the Group's interest in a joint venture, which is accounted for using the equity method in the consolidated financial statements, is as follows:

Name of company	Place of incorporation and business	Class of shares held	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activity
				Group's effective interest	Held by subsidiaries	
上海北鋁汽車科技有限公司 ("上海北鋁")	PRC	Registered	–	50%	50%	Inactive

上海北鋁 is an unlisted corporate entity incorporated during the year ended 31 October 2019. Up to the date of this report, the Group has not completed the capital contribution. Please refer to Note 31 for details of the amount of capital commitment.

上海北鋁 is a strategic investment of the Group which aims to broaden the Group's customer base in PRC and exposure to new business opportunities. The company has not commenced operation during the year.

17. INTEREST IN AN ASSOCIATE

	2019 US$'000	2018 US$'000
Share of net assets	–	380
Goodwill	–	165
	–	545
Amount due to an associate	–	(361)

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

The amount due to an associate is included in trade and other payables (Note 23).

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17. INTEREST IN AN ASSOCIATE (Continued)

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

Name of company	Place of incorporation and business	Class of shares held	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest 2019	Group's effective interest 2018	Held by subsidiaries 2019	Held by subsidiaries 2018	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

During the year ended 31 October 2019, Gemilang Asia Pacific Limited (the "**GAPL**"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement pursuant to which GAPL disposed of its 50% equity interest in Gemilang Australia at a cash consideration of AUD71,500 (representing approximately US$50,000). The disposal was completed on 3 June 2019 and loss on disposal of approximately US$12,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for the year.

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

	2018 *US$'000*
Carrying amount of the associate in consolidated financial statements	545
Amount of the Group's share of associate's (loss) for the year	(100)
Amount of the Group's share of associate's other comprehensive income	–
Amount of the Group's share of associate's total comprehensive income	(100)

18. INVENTORIES

	2019 ***US$'000***	2018 *US$'000*
Raw material	**9,390**	9,043
Work-in-progress	**6,634**	4,280
Finished goods	**1,228**	2,313
Goods in transit	**788**	2,102
	18,040	17,738

18. INVENTORIES (Continued)

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

	2019 US$'000	2018 US$'000
Carrying amount of inventories sold	**49,765**	44,959
Provision for writedown of inventories	**592**	–
	50,357	44,959

19. TRADE AND OTHER RECEIVABLES

	Notes	31 October 2019 US$'000	1 November 2018 US$'000	31 October 2018 US$'000
Trade receivables		**16,153**	12,150	12,150
Less: allowance for impairment losses (Note 30(a))		**(3,684)**	(2,955)	(2,678)
	(i), (ii)	**12,469**	9,195	9,472
Deposits, prepayments and other receivable		**1,016**	2,768	2,768
		13,485	11,963	12,240

Notes:

(i) Upon the adoption of HKFRS 9, an opening adjustment as at 1 November 2018 was made to recognise additional ECLs on trade debtors (see Note 3).

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

Aging analysis of trade receivables

As at the end of each reporting period, the aging analysis of trade receivables based on the invoice date and net of loss allowance, is as follows:

	2019 US$'000	2018 US$'000
Within 30 days	**7,463**	3,084
31 to 90 days	**3,849**	4,902
Over 90 days	**1,157**	1,486
	12,469	9,472

Trade receivables are generally due within 30 days from the date of billing. Further details on the Group's credit policy and credit risk coming from trade receivables are set out in Note 30(a).

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20. CONTRACT LIABILITIES

	Note	**31 October 2019 US$'000**	1 November 2018 US$'000	31 October 2018 US$'000
Contract liabilities				
Deposits received in advance of performance	*(ii)*	**4,839**	3,411	–

Notes:

(i) *The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 November 2018.*

(ii) *Upon the adoption of HKFRS 15, amounts previously included as "trade and other payables" were reclassified to contract liabilities (see Note 3).*

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

When the Group receives a deposit before the production activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit. The amount of the deposit, if any, was negotiated on a case by case basis with customers.

Movements in contract liabilities

	US$'000
Balance as at 1 November 2018	3,411
Decrease in contract liabilities as a result of recognising revenue during the period that was included in the contract liabilities at the beginning of the year	(3,396)
Increase in contract liabilities as a result of billing in advance of manufacturing activities	4,824
Balance as at 31 October 2019	4,839

21. PLEDGED BANK DEPOSITS

	2019 US$'000	2018 US$'000
Pledged bank deposits	**3,300**	2,711

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

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

	2019	2018
Pledged bank deposits	**3.18%**	2.86%

22. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprises:

	2019 US$'000	2018 US$'000
Cash and bank balances	**3,830**	4,246
Less: Bank overdrafts *(Note 24)*	**(1,546)**	(2,602)
Cash and cash equivalents in the consolidated statement of cash flows	**2,284**	1,644

(b) Reconciliation of liabilities arising from financing activities

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

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22. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	Bank borrowings US$'000	Obligation under finance lease US$'000	Dividend payable US$'000	Interest payables US$'000	Total US$'000
At 1 November 2018	9,651	147	–	33	9,831
Non-cash – dividend declared	–	–	972	–	972
Non-cash – new finance lease	–	48	–	–	48
Non-cash – interest cost	–	–	–	785	785
Non-cash – currency translation difference	40	–	–	2	42
Cash flow – financing activities	(1,127)	(73)	(972)	(763)	(2,935)
At 31 October 2019	**8,564**	**122**	**–**	**57**	**8,743**

23. TRADE AND OTHER PAYABLES

	Note	31 October 2019 US$'000	1 November 2018 US$'000	31 October 2018 US$'000
Trade payables		**7,668**	10,918	10,918
Other payables and accruals		**3,989**	3,148	3,148
Advance deposits from customers	*(ii)*	**–**	–	3,411
		11,657	14,066	17,477

Notes:

(i) The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 November 2018.

(ii) Upon the adoption of HKFRS 15, amounts previously included as "trade and other payables" were reclassified to contract liabilities (see Note 3).

Ageing analysis of trade payables

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

	2019 US$'000	2018 US$'000
Within 30 days	**1,758**	3,445
31 to 90 days	**3,683**	4,171
Over 90 days	**2,227**	3,302
	7,668	10,918

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

24. BANK OVERDRAFTS AND BORROWINGS

	2019 *US$'000*	2018 *US$'000*
Bank overdrafts *(Note 22)*	**1,546**	2,602
Bank borrowings	**8,564**	9,651
	10,110	12,253

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

	2019 *US$'000*	2018 *US$'000*
Current liabilities		
Portion of bank overdrafts and borrowings which contain a repayment on demand clause		
Due for repayment within 1 year	**10,052**	12,134
Due for repayment after 1 year	**58**	119
Total	**10,110**	12,253

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

	2019 *US$'000*	2018 *US$'000*
Portion of bank overdrafts and borrowings due for repayment within 1 year*	**10,052**	12,134
Bank borrowings due for repayment after 1 year*		
After 1 year but within 2 years	**47**	59
After 2 years but within 5 years	**11**	60
	58	119
	10,110	12,253

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

Analysis of bank overdrafts and borrowings:

	Notes	**2019** *US$'000*	2018 *US$'000*
Secured	*(i), (ii), (iv)*	**6,665**	7,939
Unsecured	*(iii), (iv)*	**3,445**	4,314
		10,110	12,253

24. BANK OVERDRAFTS AND BORROWINGS (Continued)

At 31 October 2019, the carrying amounts of the bank overdrafts and borrowings were denominated in the following currencies:

	2019 US$'000	2018 US$'000
Malaysian Ringgit	10,110	12,253

At 31 October 2019, the Group had aggregate banking facilities of approximately US$24,244,000 (2018: US$22,517,000) for loans and borrowings. Unused facilities as at the same date amounted to approximately US$14,134,000 (2018: US$10,264,000).

Notes:

(i) Legal charges over freehold land and buildings of the Group (Note 13);

(ii) Deposits with licensed banks of the Group (Note 21);

(iii) Legal charge over a land held by a related company of the Group for the bank borrowings (Note 33(c)(iii)). The related company is controlled by the Controlling Shareholders;

(iv) Joint and several guarantees given by directors of the Company (Note 33(c)(ii));

(v) 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

25. OBLIGATIONS UNDER FINANCE LEASES

As at 31 October 2019, the Group had obligations under finance leases repayable as follows:

	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	2019		2018	
	US$'000	US$'000	US$'000	US$'000
Within 1 year	62	66	70	75
After 1 year but within 2 years	35	37	52	54
After 2 years but within 5 years	25	26	25	26
	60	63	77	80
	122	129	147	155
Less: total future interest expenses		(7)		(8)
Present value of lease obligations		122		147

26. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2019 US$'000	2018 US$'000
Income tax recoverable	–	1,069
Income tax payable	(481)	(78)
	(481)	991

(b) Deferred tax assets and liabilities recognised:

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

	Depreciation allowances in excess of depreciation US$'000	Credit loss allowance US$'000 (Note)	Provision for writedown of inventories US$'000	Unrealised foreign exchange gain US$'000	Unrealised export allowance/ others US$'000	Tax losses US$'000	Total US$'000
At 1 November 2017	294	(55)	–	80	–	–	319
Charge/(credit) to profit or loss *(Note 11(a))*	(109)	45	–	(67)	(4)	(85)	(220)
Exchange realignment	7	(2)	–	4	–	4	13
At 31 October 2018	192	(12)	–	17	(4)	(81)	112
Impact on initial application of HKFRS 9	–	(66)	–	–	–	–	(66)
At 1 November 2018	192	(78)	–	17	(4)	(81)	46
Charge/(credit) to profit or loss *(Note 11(a))*	125	(140)	(142)	(10)	1	81	(85)
Exchange realignment	4	(4)	(2)	–	1	–	(1)
At 31 October 2019	321	(222)	(144)	7	(2)	–	(40)

Note: Upon the initial application of HKFRS 9, the group has recognised deferred tax assets on the additional credit losses recognised under the ECL model (see Note 3).

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

	2019 US$'000	2018 US$'000
Deferred tax assets	40	–
Deferred tax liabilities	–	112

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

(c) Deferred tax assets and liabilities not recognised:

There were no material unrecognised deferred tax assets and liabilities as at 31 October 2019 and 2018.

27. 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 sheets issued by the Stock Exchange on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares on the date of grant.

A total of 5,000,000 share options (each share option will entitle the holder of the share option to subscribe for one new ordinary share of HK$0.01 each) were granted on 26 January 2017 under the Scheme and 2,942,000 share options remained outstanding as at 31 October 2019. The closing price of the shares of the Company at the date of grant of share options was HK$1.74. The option's fair value of approximately US$379,000 was measured at grant date using the Binomial Option Pricing Model.

27. SHARE OPTION SCHEME (Continued)

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

2019

Date of grant	At 1 November 2018	Lapsed during the year	Exercised during the year	Outstanding and exercisable at the end of the year	Exercise price HK$	Vesting date	Exercisable period
Granted to directors							
26 January 2017	750,000	–	–	750,000	1.764	Immediately vested	Within 5 years from grant date
Granted to employees							
26 January 2017	2,678,000	(202,000)	(284,000)	2,192,000	1.764	Immediately vested	Within 5 years from grant date
	3,428,000	(202,000)	(284,000)	2,942,000			
Weighted average exercise price (HK$)	1.764	1.764	1.764	1.764			

2018

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

The weighted average share price at the date of exercise for shares options exercised during the year was HK$1.90 (2018: HK$2.64). The weighted average remaining contractual life of the share options outstanding at 31 October 2019 was approximately 2.25 years (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.

28. EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plan

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

The employees of the Group's subsidiary in Malaysia are required to participate in a statutory Employees Provident Fund. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 6-13% (2018: 6-13%) of the relevant payroll costs to the scheme, which contribution is matched by employees.

The employees of the Group's subsidiary which operate in Singapore are required to participate in the Central Provident Fund operated by the local government. This Singapore subsidiary is required to contribute 7.5% to 17% (2018: 7.5% to 17%) of its basic payroll costs to the fund.

The total expense recognised in profits or loss of approximately US$411,000 (2018: US$391,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans (Note 7(b)).

29. CAPITAL AND RESERVES

(a) Movement in components of equity

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

(b) Share capital

Ordinary shares of HK$0.01 each

Authorised:

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

Issued and fully paid:

	No. of shares	Amount *US$'000*
At 1 November 2017	250,144,000	322
Issuance of new shares upon exercising of share option *(Note 27)*	936,000	2
At 31 October 2018 and 1 November 2018	251,080,000	324
Issuance of new shares upon exercising of share option *(Note 27)*	284,000	–
At 31 October 2019	251,364,000	324

29. CAPITAL AND RESERVES (Continued)

(c) Share premium

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

(d) Merger reserve

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

(e) Exchange reserve

The exchange reserve represents foreign exchange differences arising from the translation of the financial statements of the overseas subsidiaries. The reserve is dealt with in accordance with the accounting policies set out in Note 2(v).

(f) Share option reserve

The share option reserve comprises the portion of the grant date fair value of unexercised share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in Note 2(r)(ii).

(g) Distributability of reserve

As at 31 October 2019, the aggregate amount of reserves available for distribution to equity shareholders of the Company was US$14,926,000 (2018: US$15,595,000).

(h) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, or sell assets to reduce debt. No changes in the objective, policies or processes for managing capital were made during the year ended 31 October 2019.

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

29. CAPITAL AND RESERVES (Continued)

(h) Capital management (Continued)

The Group monitors capital using, inter alias, a gearing ratio which is net debt divided by total equity. Net debt includes bank overdrafts, interest-bearing bank borrowings and obligations under finance leases, less cash and bank balances. The gearing ratio as at 31 October 2019 and 2018 is as follows:

	2019	2018
	US$'000	*US$'000*
Obligations under finance leases	**122**	147
Bank borrowings	**8,564**	9,651
Bank overdrafts	**1,546**	2,602
	10,232	12,400
Less: Cash and bank balances	**3,830**	4,246
Net debt	**6,402**	8,154
Total equity	**19,590**	16,899
Net debt-to-equity ratio	**33%**	48%

For the year ended 31 October 2019

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted in respect of each class of financial assets and financial liabilities are disclosed in Note 2.

The Group has classified the financial instruments as follows:

	2019	2018
	US$'000	*US$'000*
Financial assets		
Financial assets at amortised cost	**19,826**	–
Loans and receivables (including cash and cash equivalent)	**–**	16,537
	19,826	16,537

	2019	2018
	US$'000	*US$'000*
Financial liabilities		
Financial liabilities at amortised cost	**21,889**	26,466
	21,889	26,466

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

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk and currency risk. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 October 2019 and 2018, 67% and 75% of the trade receivables respectively, were due from the Group's largest debtor; and 95% and 94% of the trade receivables respectively, were due from the Group's five largest debtors.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The provision rates are based on days past due and geographical region for grouping's of various customer segments.

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

(a) Credit risk (Continued)

Trade receivables (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 October 2019:

	Expected loss rate %	Gross carrying amount US$'000	Loss allowance US$'000
Current (not past due)	0.6%	7,438	(48)
Less than 90 days past due	1.6%	4,129	(66)
91-180 days past due	3.6%	667	(24)
181-365 days past due	20.8%	471	(98)
More than 365 days past due	100%	3,448	(3,448)
		16,153	(3,684)

Expected loss rates are based on actual loss experience over the past one year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Comparative information under HKAS 39

Prior to 1 November 2018, an impairment loss was recognised only when there was objective evidence of impairment (see Note 2(j)(i) – policy applicable prior to 1 November 2018). At 31 October 2018, trade receivables of US$2,678,000 were determined to be impaired. The aging analysis of trade receivables that were not considered to be impaired was as follows:

	2018 US$'000
Neither past due nor impaired	2,824
Less than 90 days past due	5,311
90 to 180 days past due	330
Over 180 days past due	1,007
	9,472

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

(a) Credit risk (Continued)

Trade receivables (Continued)

Comparative information under HKAS 39 (Continued)

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2019 ***US$'000***	2018 *US$'000*
Balance at 31 October 2018 under HKAS 39	**2,678**	–
Impact on initial application of HKFRS 9 *(Note 3)*	**277**	–
Balance at 1 November	**2,955**	398
Impairment losses recognised during the year	**709**	2,858
Amounts written-back	**–**	(167)
Uncollectible amounts written off	**–**	(219)
Exchange realignment	**20**	(192)
Balance at 31 October	**3,684**	2,678

The following significant changes in the gross carrying amounts of trade receivables contributed to the increase in the loss allowance:

– increase in days past due over 1 year resulted in an increase in loss allowance of US$674,000.

Other receivables

The Group has concentration of credit risk on the other receivables at the end of the reporting period. The Group closely monitors the repayment from the other receivables in order to minimise the credit risk. The Group's exposure to credit risk arising from default of the counterparty is limited as the counterparty has good history of repayment and the Group does not expect to incur a significant loss for uncollected other receivables.

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

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables shows the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash outflows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

For bank overdrafts and borrowings which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for obligations under finance leases is prepared on the scheduled repayment dates.

As at 31 October 2019

	Carrying amount *US$'000*	Total contractual undiscounted cash flows *US$'000*	On demand or less than 1 year *US$'000*	Between 1 and 2 years *US$'000*	Over 2 but less than 5 years *US$'000*	Over 5 years *US$'000*
Non-derivative financial liabilities						
Trade and other payables	11,657	11,657	11,657	–	–	–
Bank borrowings	8,564	8,564	8,564	–	–	–
Bank overdrafts	1,546	1,546	1,546	–	–	–
Obligations under finance leases	122	129	66	37	26	–
	21,889	21,896	21,833	37	26	–

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

(b) Liquidity risk (Continued)

As at 31 October 2018

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

The table below summarises the maturity analysis of bank overdrafts and borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts are greater than the amounts disclosed in the "on demand or less than 1 year" time band in the maturity analysis contained in the above table.

Taking into account of the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

Maturity Analysis – Bank overdrafts and borrowings subject to a repayment on demand clause based on scheduled repayments

	Within 1 year US$'000	More than 1 year but less than 2 years US$'000	More than 2 years but less than 5 years US$'000	More than 5 years US$'000	Total outflows US$'000
At 31 October 2018	12,146	68	153	–	12,367
At 31 October 2019	**10,061**	**69**	**86**	**–**	**10,216**

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

(c) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to the Group's fixed-rate short-term pledged deposits. The management of the Group considers that the Group's exposure from these fixed-rate short-term pledged deposits to interest rate risk is not significant.

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

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

	Effective interest rate %	**2019 *US$'000***	Effective interest rate %	2018 *US$'000*
Variable rate instruments				
Financial liabilities				
– Bank overdrafts *(see Notes 22 and 24)*	**5.8**	**1,546**	5.2	2,602
– Bank borrowings *(see Note 24)*	**6.8**	**8,564**	7.3	9,651
		10,110		12,253

As at 31 October 2019, it is estimated that a general increase/decrease of 25 basis points (2018: 25 basis points) in interest rates for bank overdrafts and borrowings with all other variables held constant, would decrease/increase the Group's profit for the year and decrease/increase the retained earnings by approximately US$19,000 (2018: increase/decrease the Group's loss for the year and decrease/increase the retained earnings by approximately US$23,000).

The sensitivity analysis above indicates annualised impact on the Group's net interest that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to floating rate instruments which expose the Group to cash flow interest rate risk at that date. The analysis has been performed on the same basis throughout the year ended 31 October 2018.

(d) Foreign currency exchange risk

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

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

(d) Foreign currency exchange risk (Continued)

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, that is, a currency other than the functional currency of the entity to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars, Singapore dollars, Euro, Australian dollars and Hong Kong dollars.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in United States dollars, translated using the spot rate at the reporting dates.

	31 October 2019				
	United States dollars US$'000	Singapore dollars US$'000	Euro US$'000	Australian dollars US$'000	Hong Kong dollars US$'000
Financial assets					
Trade and other receivables	9,363	1,134	31	1,313	–
Cash and bank balances	2,598	45	1	1	–
Financial liability					
Trade and other payables	–	(1,131)	(257)	–	(248)
Gross exposure arising from recognised assets and liabilities	11,961	48	(225)	1,314	(248)

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

(d) Foreign currency exchange risk (Continued)

(i) *Exposure to currency risk* (Continued)

	31 October 2018				
	United States dollars *US$'000*	Singapore dollars *US$'000*	Euro *US$'000*	Australian dollars *US$'000*	Hong Kong dollars *US$'000*
Financial assets					
Trade and other receivables	1,051	7,025	–	811	–
Cash and bank balances	39	3,494	–	110	–
Financial liability					
Trade and other payables	–	(1,051)	(280)	(932)	(440)
	1,090	9,468	(280)	(11)	(440)

(ii) *Sensitivity analysis*

The following table indicates the approximate change in the Group's profit/(loss) after tax (and retained earnings) in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

	As at 31 October 2019		As at 31 October 2018	
	Increase/ (decrease) in foreign exchange rate	**Effect on profit after taxation and retained earnings *US$'000***	Increase/ (decrease) in foreign exchange rate	Effect on loss after taxation and retained earnings *US$'000*
United States dollars	**4%**	**364**	9%	(75)
	(4%)	**(364)**	(9%)	75
Singapore dollars	**3%**	**1**	6%	(432)
	(3%)	**(1)**	(6%)	432
Euro	**5%**	**(9)**	7%	15
	(5%)	**9**	(7%)	(15)
Australian dollars	**9%**	**90**	11%	1
	(9%)	**(90)**	(11%)	(1)
Hong Kong dollars	**4%**	**(8)**	10%	33
	(4%)	**8**	(10%)	(33)

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

(d) Foreign currency exchange risk (Continued)

(ii) Sensitivity analysis (Continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit/(loss) after taxation and equity measured in the respective functional currency, translated into United States dollars at the exchange rate ruling at the end of the reporting periods for presentation purposes. The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting periods, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currency of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of the Company and overseas subsidiaries into the Group's presentation currency.

(e) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 October 2019 and 2018.

31. CAPITAL COMMITMENTS

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2019 ***US$'000***	2018 *US$'000*
Contracted but not provided for:		
– Investment in joint venture (RMB1,500,000)	**213**	–
	213	–

During the year ended 31 October 2019, 順鋁(上海), an indirectly wholly-owned subsidiary of the Company, entered into a joint venture agreement (the "**JV agreement**") with上海北斗新能源有限公司 ("**Beidou**") pursuant to which both companies agreed to establish a joint venture company, 上海北鋁 ("**JV Company**"). Pursuant to the JV agreement, the amount of registered capital of the JV Company shall be RMB3,000,000 while 順鋁(上海) and Beidou shall each account for a capital contribution of RMB1,500,000. As at 31 October 2019, the Group has not contributed any capital into the JV Company.

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32. OPERATING LEASES

Operating lease commitments

The Group leases certain land and buildings under leases which are non-cancellable with terms between 1 and 5 years. The lease expenses charged to the consolidated statement of profit or loss and other comprehensive income during the year are disclosed in Note 7(c).

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

	2019	2018
	US$'000	*US$'000*
Not later than 1 year	**410**	367
After 1 year but within 5 years	**322**	634
	732	1,001

33. 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 Group until the date of disposal on 3 June 2019
SW Excel Tech Engineering Sdn. Bhd.	A company controlled by close family members of a director
P&P Excel Car Air-Conditioning Sdn. Bhd.	A company controlled by close family members of a director
P&P Excel Tech Engineering Sdn. Bhd.	A company controlled by close family members of a director
CP Excel Auto Tech Pte. Ltd.	A company controlled by close family members of a director
GML Technologies Sdn. Bhd.	A company controlled by the Controlling Shareholders

33. RELATED PARTY TRANSACTIONS (Continued)

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	2019 ***US$'000***	2018 *US$'000*
Short-term employee benefits	**1,135**	1,328
Post-employment benefits	**141**	128
	1,276	1,456

(b) Financing arrangements with related parties

As at 31 October 2019, the Group has the following balances with related parties:

	Notes	**2019** ***US$'000***	2018 *US$'000*
Amounts due from/(to) related companies			
– SW Excel Tech Engineering Sdn. Bhd.	*(i), (ii)*	**6**	3
– P&P Excel Car Air-Conditioning Sdn. Bhd.	*(i), (ii)*	**6**	6
– P&P Excel Tech Engineering Sdn. Bhd.	*(i), (ii)*	**(101)**	(98)
– GML Technologies Sdn. Bhd.	*(i), (ii)*	**201**	–
– CP Excel Auto Tech Pte. Ltd.	*(i), (ii)*	**14**	21
		126	(68)
Amount due (to) an associate			
– Gemilang Australia Pty Ltd.	*(i), (ii), (iii)*	**–**	(361)

Notes:

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

(ii) The outstanding balances are included in trade and other receivables (Note 19) and trade and other payables (Note 23).

(iii) The company ceased to be an associate of the Group during the year ended 31 October 2019.

33. RELATED PARTY TRANSACTIONS (Continued)

(c) Other related party transactions

(i) During the year ended 31 October 2019, the Company entered into the following material related party transactions:

Continuing transactions

	2019 US$'000	2018 US$'000
Sales of bus body		
– Gemilang Australia Pty Ltd	1,504	–
Sales of parts and services		
– Gemilang Australia Pty Ltd	53	246
– P&P Excel Car Air-Conditioning Sdn. Bhd.	–	1
– SW Excel Tech Engineering Sdn. Bhd.	1	3
	54	250
Purchases of parts and services		
– P&P Excel Tech Engineering Sdn. Bhd	201	181
– CP Excel Auto Tech Pte. Ltd.	13	186
	214	367
Commission expenses		
– Gemilang Australia Pty Ltd	835	4,711
Rental expenses		
– GML Technologies Sdn. Bhd	285	–

(ii) The directors of the Company have provided their joint and several guarantees to banks for the banking facilities granted to the Group during the years ended 31 October 2019 and 2018 (Note 24).

(iii) A land held by a related company is pledged with a bank for the Group's borrowings as at 31 October 2019 and 2018 (Note 24). The related company is controlled by the Controlling Shareholders.

(iv) The directors of the Company are of the opinion that the above transactions were conducted on terms mutually agreed.

34. CONTINGENT LIABILITIES

Performance bonds

	2019 US$'000	2018 US$'000
Performance bonds for contracts in favour of customers	7,389	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 the customers. If the Group fails to provide satisfactory performance to these 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.

For the year ended 31 October 2019

35. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION

	2019 *US$'000*	2018 *US$'000*
Non-current asset		
Investments in subsidiaries	**8,238**	8,238
Loan to a subsidiary	**7,087**	7,087
	15,325	15,325
Current assets		
Deposits and prepayments	**9**	4
Amounts due from subsidiaries	**244**	775
Cash and cash equivalents	**21**	100
	274	879
Current liabilities		
Other payable	**349**	285
	349	285
Net current (liabilities)/assets	**(75)**	594
NET ASSETS	**15,250**	15,919
CAPITAL AND RESERVES		
Share capital	**324**	324
Reserve	**14,926**	15,595
TOTAL EQUITY	**15,250**	15,919

Approved and authorised for issue by the board of directors on 20 January 2020.

Phang Sun Wah
Director

Pang Chong Yong
Director

35. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION (Continued)

Movements in the Company's reserves:

	Share premium *US$'000*	Capital reserve *US$'000* *(Note)*	Share Option reserve *US$'000*	Accumulated losses *US$'000*	Total *US$'000*
At 1 November 2017	10,851	8,238	342	(3,605)	15,826
Exercise of share options	281	–	(71)	–	210
Lapse of share options	–	–	(11)	11	–
Profit for the year and total comprehensive income	–	–	–	526	526
Dividends paid	(967)	–	–	–	(967)
At 31 October 2018	10,165	8,238	260	(3,068)	15,595
At 1 November 2018	**10,165**	**8,238**	**260**	**(3,068)**	**15,595**
Exercise of share options	**86**	**–**	**(22)**	**–**	**64**
Lapse of share options	**–**	**–**	**(15)**	**15**	**–**
Profit for the year and total comprehensive income	**–**	**–**	**–**	**239**	**239**
Dividends paid	**(972)**	**–**	**–**	**–**	**(972)**
At 31 October 2019	**9,279**	**8,238**	**223**	**(2,814)**	**14,926**

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