

# Gemilang International Limited 彭順國際有限公司

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

## INTERIM REPORT 2020





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### 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

Ms. Chan Yuen Mui

### AUTHORISED REPRESENTATIVE UNDER PART 16 OF THE COMPANIES ORDINANCE

Ms. Chan Yuen Mui

### AUTHORISED REPRESENTATIVES UNDER LISTING RULES

Ms. Phang Huey Shyan  
Ms. Chan Yuen Mui

### AUDITORS

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

### LEGAL ADVISERS AS TO HONG KONG LAW

**Ma Tang & Co. Solicitors**  
Rooms 1508-1513, Nan Fung Tower  
88 Connaught Road Central  
Central, Hong Kong



## PRINCIPAL BANKERS

### Malayan Banking Berhad

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

### CIMB Bank Berhad

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

### OCBC Bank (Malaysia) Berhad

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

## PRINCIPAL REGISTRAR AND TRANSFER OFFICE

### Conyers Trust Company (Cayman) Limited

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

## HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

### Tricor Investor Services Limited

Level 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

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

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

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

## SHARE LISTING

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

## CORPORATE WEBSITE ADDRESS AND INVESTOR RELATIONS CONTACT

Website: <http://www.gml.com.my>  
Email: [irgroup@gml.com.my](mailto:irgroup@gml.com.my)  
Fax: (852) 3596 7834

## CUSTOMER SERVICES

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# Management Discussion and Analysis

The board (the “**Board**”) of directors (the “**Directors**”) of Gemilang International Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 April 2020 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2019.

## BUSINESS REVIEW

The Group designs and manufactures bus bodies and assemble buses. We divide our target markets into two segments, namely core markets which comprise Singapore and Malaysia, and developing markets which comprise all other markets to where we export our products including Australia, Hong Kong and 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) in the form of whole buses (CBUs\*). Apart from manufacturing bus bodies and assembling buses, we also provide after-sales services in maintenance of bus bodies and sales of related spare parts.

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

The Group delivered a total of 109 buses (CBUs\*) and 5 units of CKDs\* to our customers during the Reporting Period.

*\*Notes:*

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

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

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



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

**Sales of bus bodies segment**

	<b>Revenue from external customers</b>	
	<b>For the six months ended</b>	
	<b>30 April</b>	
	<b>2020</b>	2019
	<b>US\$'000</b>	US\$'000
Malaysia (place of domicile)	<b>122</b>	–
Singapore	<b>10,989</b>	25,865
Hong Kong	<b>924</b>	3,692
Australia	–	3,516
United Arab Emirates	<b>3,154</b>	–
Others	<b>217</b>	307
	<b>15,406</b>	33,380

The sales of bus bodies segment is our major source of income for our Group, with the sales of whole buses as the major product contributing over 93.0% of revenue for the Reporting Period. The revenue generated from this segment amounted to approximately US\$15.41 million during the Reporting Period, representing a decrease of approximately 53.8% compared to the corresponding period in 2019 of approximately US\$33.38 million. The decrease in revenue in this segment was attributable to the significant decrease in delivery of whole buses to Singapore due to the adverse impact of the 2019 coronavirus (“**COVID-19**”) outbreak and the enforcement of the movement control order in March 2020 and April 2020, respectively. During the Reporting Period, the Group had delivered 85 units of whole buses to customers in Singapore.



### Sales of parts and provision of relevant services segment

	Revenue from external customers For the six months ended 30 April	
	2020 US\$'000	2019 US\$'000
Malaysia (place of domicile)	33	48
Singapore	818	1,292
Hong Kong	42	32
Australia	220	34
United Arab Emirates	14	–
Others	25	149
	<b>1,152</b>	<b>1,555</b>

The sales of parts and provision of relevant services segment is our secondary source of income, in which its revenue was mainly generated from providing after-sales service and sales of parts to our customers. The revenue generated from this segment amounted to approximately US\$1.15 million during the Reporting Period representing a decrease of approximately 25.9% as compared with approximately US\$1.56 million for the corresponding period in 2019.

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

## OUTLOOK

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

During the Reporting Period, the COVID-19 outbreak leading to lockdown in many countries has put an incredible strain on transportation systems in worldwide and the operations of the Group has been adversely impacted. Following the relieve of the COVID-19 pandemic, the regional lockdown restriction began to ease gradually. We believe that public transport is vital to keep economy running. Being a participant in the supply chain of transportation system, the Group will continue to maintain our competitive edge and being endeavour to recover from the adverse impact brought by the COVID-19 during the second half of the financial year ending 31 October 2020.



## OPERATING RESULTS AND FINANCIAL REVIEW

### Revenue

During the Reporting Period, the Group recorded a revenue of approximately US\$16.56 million, representing a significant decrease of approximately 52.6% as compared with approximately US\$34.94 million for the corresponding period in 2019. Such significant decrease was attributable to the significant decrease in delivery of double deck buses in Singapore as compared to the corresponding period in 2019.

### By product category

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

	For the six months ended 30 April			
	2020		2019	
	US\$'000	%	US\$'000	%
<b>Bus</b>				
<b>CBU</b>				
– City Bus	13,382	80.8	33,290	95.3
– Coach	1,807	10.9	–	–
<b>Bus Body</b>				
<b>CKD</b>				
– City Bus	217	1.3	90	0.3
<b>Maintenance and after-sales service</b>	1,152	7.0	1,555	4.4
<b>TOTAL</b>	<b>16,558</b>	<b>100</b>	<b>34,935</b>	<b>100.0</b>





### **By geographical location**

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

	<b>Revenues from external customers For the six months ended 30 April</b>	
	<b>2020</b>	2019
	<b>US\$'000</b>	US\$'000
Malaysia (place of domicile)	<b>155</b>	48
Singapore	<b>11,807</b>	27,157
Hong Kong	<b>966</b>	3,724
Australia	<b>220</b>	3,550
United Arab Emirates	<b>3,168</b>	–
Others	<b>242</b>	456
	<b>16,558</b>	34,935



### **Gross profit and gross profit margin**

Our gross profit was approximately US\$3.60 million and US\$7.13 million for the six months ended 30 April 2020 and 2019, respectively. Our gross profit margin was approximately 21.7% and 20.4% for the six months ended 30 April 2020 and 2019, respectively. The increase of gross profit margin during the six months ended 30 April 2020 was due to a decrease in contractor wages in relation to better planning of production schedule in the Reporting Period, which is in consistent with our production planning.

### **Selling and distribution expenses**

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

Our selling and distribution expenses decreased by approximately US\$1.4 million or 83.3% from approximately US\$1.68 million for six months period ended 30 April 2019 to approximately US\$0.28 million in the Reporting Period. Such decrease was driven mainly by the decrease in commission payable for whole buses delivery to Australia which is in line with the decrease in sales to Australia during the Reporting Period.

### **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 decreased by approximately US\$0.32 million or 14.1% from approximately US\$2.29 million for the six months ended 30 April 2019 to US\$1.96 million during the Reporting Period. Such decrease was attributed by reduction in legal and professional expenses incurred during the Reporting Period.

### **Income tax expenses**

During the Reporting Period, the income tax expense decreased by approximately US\$0.69 million as compared with the six months period ended 30 April 2019. The decrease was in line with the decrease in the Group's profit as compared to the period ended 30 April 2019. The effective tax rate for the period ended 30 April 2019 and 2020 was 42.5% and 46.9%, respectively. No significant changes were noted in the effective tax rate.



## LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

### Cash flow

For the six months ended 30 April 2020, the Group's working capital was financed by bank loans.

### Net current assets

The Group's net current assets amounted to approximately US\$11.3 million as at 30 April 2020, as compared to approximately US\$11.5 million as at 31 October 2019. As at 30 April 2020, the Group's current ratio was approximately 1.63, as compared to approximately 1.42 as at 31 October 2019.

### Cash and cash equivalents, bank deposits and bank loans

As at 30 April 2020, cash and cash equivalents of the Group was approximately US\$0.46 million, as compared to approximately US\$2.28 million as at 31 October 2019. As at 30 April 2020, the Group had pledged bank deposits of approximately US\$3.76 million, as compared to approximately US\$3.30 million as at 31 October 2019. The bank borrowings of the Group decreased by approximately 26.7% to approximately US\$6.28 million as at 30 April 2020 from approximately US\$8.56 million as at 31 October 2019.

### Gearing ratio

As at 30 April 2020, the gearing ratio (calculated by dividing leases liabilities, bank borrowings and bank overdrafts less cash and bank balance by total equity as at the end of the period/year) of the Group increased to approximately 33.3% from approximately 32.7% as at 31 October 2019, primarily attributable to the decrease in reserves of the Group.

### Capital expenditures

For the six months ended 30 April 2020, the Group had capital expenditure of approximately US\$0.05 million, as compared to approximately US\$0.12 million for the six months ended 30 April 2019. The expenditure was mainly related to the purchase of office equipments as part of office upkeep.



### Significant investments

As at 30 April 2020, the Group did not have any significant investments.

### Commitments

As at 30 April 2020, the Group had capital commitments in relation to capital contribution of approximately US\$212,000 (31 October 2019: US\$213,000) (RMB1,500,000) to the joint venture company, 上海北鋁汽車科技有公司 (“上海北鋁”). The amount of registered capital of 上海北鋁 shall be RMB3,000,000 which the Group and the venture partner, 上海北斗新能源有限公司, shall contribute the capital equally pursuant to the joint venture agreement. As at 30 April 2020 no capital has been contributed by the Group.

The Group is the lessee in respect of a number of properties held under leases which were classified as operating leases of approximately US\$732,000 under HKAS 17 as at 31 October 2019. During the Reporting Period, the Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 November 2019 to recognise lease liabilities relating to these leases (see note 2 to the condensed consolidated financial statements). From 1 November 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 2 to the condensed consolidated financial statements.

### Material investments or capital assets

As at 30 April 2020, the Group did not hold any material investment. There was no specific plan for material investments or capital assets as at 30 April 2020.

### Material acquisitions or disposals

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

### Foreign exchange risk

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

### Charges on assets

As at 30 April 2020, pledged bank deposits of approximately US\$3.76 million (31 October 2019: US\$3.30 million) as disclosed in the condensed consolidated statement of financial position have been pledged to banks as security for banking facilities granted to the Group. The net book value of the following assets were pledged to secure certain banking facilities granted to the Group:



	<b>As at 30 April 2020 US\$'000</b>	As at 31 October 2019 US\$'000
Freehold land	<b>1,717</b>	1,860
Buildings	<b>4,121</b>	4,377
	<b>5,838</b>	6,237

### Contingent liabilities

As at 30 April 2020, the Group had the following contingent liabilities:

#### Performance bonds

	<b>As at 30 April 2020 US\$'000</b>	As at 31 October 2019 US\$'000
Performance bonds for contracts in favour of customers	<b>5,633</b>	7,389

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

## INTERIM DIVIDEND

The Board do not recommend the payment of an interim dividend for the six months ended 30 April 2020 (2019: HK\$0.03 per share).

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 April 2020, the total number of full-time employees of the Group was approximately 354 (31 October 2019: 357). The Group recruits, employs, remunerates and promotes its employees based on their qualifications, experience, skills, performance and contributions. Remuneration is offered with reference to market rates. Salary and/or promotion review is conducted upon performance appraisal by management on a regular basis. Discretionary year-end bonus and share options, if applicable, are granted to eligible employees, in accordance with the Group's performance and individual's contribution. Ample in-house orientation and on-the-job training are arranged for the employees all year around. Employees are always encouraged to attend job-related seminars, courses and programs organised by professional or educational institutions in Malaysia, Hong Kong or other jurisdictions.





## EVENTS AFTER THE REPORTING PERIOD

### Update on litigation

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

In August 2018, the case was heard in the High Court of Malaya at Johor Bahru and Gemilang Coachwork successfully obtained a summary judgment against the Defendants. Subsequently, a winding up petition dated 30 October 2018 was filed in the High Court of Malaya and has been served on the Defendants on 15 November 2018. The winding up petition served on 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. Eventually, the High Court of Malaya ordered Defendant 2 be wound up under the provisions of the Companies Act 2016 on 30 January 2020. The company was informed by its legal adviser that the outstanding amount will be paid upon when the receiver has exercised the right and duty according to the wind up order and the debt will be repaid according to the debt security. As at the date of the results announcement, the distribution results are not completed.

Despite of the fact that several attempts were made to recover the outstanding amount from the Defendants, 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 in the year ended 31 October 2018.

The Company will provide further information as and when appropriate in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## USE OF PROCEEDS FROM GLOBAL OFFERING

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

Use of net proceeds	Planned amount as stated in the Prospectus <sup>(1)</sup> US\$ million	Actual amount utilised up to 30 April 2020 US\$ million	Actual balance as at 30 April 2020 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	<u>8.77</u>	<u>(7.51)</u>	<u>1.26</u>

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

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



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

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

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

It is the belief of the Board that good corporate governance plays a vital part in maintaining the success of the Company. The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the "**Shareholders**") and to enhance corporate value accountability. The Company has complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules save and except for Code Provision C.1.2 throughout the Reporting Period.

Pursuant to Code Provision C.1.2 of the CG Code, management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. From November 2019 to February 2020, rather than providing monthly updates to all members of the Board, the management provided information and updates to the members of the Board as and when appropriate. Since March 2020, the management has provided monthly updates on the Group's performance, position and prospects and tried its best endeavors to provide management account of the Group to the Directors.

The Company will continue to review the current corporate governance structure from time to time and shall make necessary changes when appropriate and report to Shareholders accordingly.

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

As at 30 April 2020, the interests or short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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

Name of Shareholders	Capacity/ Nature of interests	Total number of Shares and underlying Shares held <sup>(1)</sup>	Approximate percentage of issued share capital
Mr. Phang Sun Wah	Interest in a controlled corporation <sup>(2)</sup>	82,078,125 (L)	32.65%
	Interest held jointly with Mr. Pang Chong Yong <sup>(4)</sup>	82,328,125 (L)	32.75%
	Beneficial Interest <sup>(6)</sup>	570,000 (L)	0.23%
	Interest of spouse <sup>(5)</sup>	140,000 (L)	0.06%
Mr. Pang Chong Yong	Interest in a controlled corporation <sup>(3)</sup>	82,078,125 (L)	32.65%
	Interest held jointly with Mr. Phang Sun Wah <sup>(4)</sup>	82,788,125 (L)	32.94%
	Beneficial Interest <sup>(6)</sup>	250,000 (L)	0.10%
Ms. Phang Huey Shyan	Beneficial Interest <sup>(6)</sup>	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 30 April 2020, none of the Directors and chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



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

As at 30 April 2020, to the best knowledge of the Directors, the interests or short positions of the persons, other than the Directors or chief executives of the Company, in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

### Long positions in the ordinary Shares

Name of Shareholders	Capacity/ Nature of interests	Total number of Shares and underlying Shares held <sup>(1)(5)</sup>	Approximate percentage of issued share capital
Sun Wah Investments Limited	Beneficial owner	82,078,125 (L)	32.65%
Golden Castle Investments Limited ("Golden Castle")	Beneficial owner <sup>(2)</sup>	82,078,125 (L)	32.65%
Gold-Face Finance Limited ("Gold-Face")	Person having a security interest in Shares <sup>(3)</sup>	82,078,125	32.65%
Upbest Group Limited	Interest of controlled corporation <sup>(3)</sup>	82,078,125	32.65%
Ms. Chew Shi Moi	Interest of spouse <sup>(4)(5)</sup> Beneficial owner	164,976,250 (L) 140,000 (L)	65.63% 0.06%
Ms. Low Poh Teng	Interest of spouse <sup>(4)(6)</sup>	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) 82,078,125 Shares held by Golden Castle have been charged in favour of Gold-Face as security for a loan granted in favour of Mr. Pang Chong Yong, the chief executive officer, executive Director and controlling shareholder of the Company.

(3) As Gold-Face is wholly-owned by Upbest Credit & Mortgage Limited, which in turn is wholly-owned by Upbest Strategic Co., Ltd and Good Foundation Co., Ltd in equal parts, which in turn are both wholly-owned by Upbest Financial Holdings Limited, which in turn is wholly-owned by Upbest Group Limited, Upbest Credit & Mortgage Limited, Upbest Strategic Co., Ltd, Good Foundation Co., Ltd, Upbest Financial Holdings Limited and Upbest Group Limited are all deemed to be interested in the security interest in the 82,078,125 Shares charged in favour of Gold-Face by virtue of the SFO.

(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 Takeovers Code). As such, Mr. Phang Sun Wah and Mr. Pang Chong Yong will together control 65.75% of the entire issued share capital of the Company.

(5) 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.

(6) 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.

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

Save as disclosed herein, as at 30 April 2020, the Directors were not aware of any person (other than the Directors and chief executive of the Company) who had an interest and short position in Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.





## DIRECTOR'S INTERESTS IN COMPETING BUSINESS

During the six months ended 30 April 2020 and up to the date of this interim report, none of the Directors or their respective associates (as defined in the Listing Rules) had any interest in any business which were in competition or were likely to compete, either directly or indirectly with the Group's business which needs to be disclosed pursuant to Rule 8.10 of the Listing Rules.

## SHARE OPTION SCHEME

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

### (a) Purpose of the Share Option Scheme

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

### (b) Grant and acceptance of options

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

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

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



**(c) Subscription price of Shares**

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


**(d) Maximum number of Shares**

- (i) Subject to (ii) below, the maximum number of Shares in respect of which options may be granted at any time under the Share Option Scheme together with options which may be granted under any other share option schemes for the time being of our Company shall not in aggregate exceed such number of Shares as equals 10 per cent of the issued share capital of our Company at 11 November 2016 (the “**Scheme Mandate Limit**”) unless Shareholders’ approval has been obtained pursuant to the sub-paragraph immediately below. On the basis of a total of 250,000,000 Shares in issue as at 11 November 2016, the relevant limit will be 25,000,000 Shares which represent 10% of the issued Shares at 11 November 2016.

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

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

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

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- (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:

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



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

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

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

A total of 5,000,000 share options were granted on 26 January 2017 under the Share Option Scheme and 2,942,000 share options remained outstanding as at 30 April 2020.

The table showing movements in the Company's share options held by each of the directors and the employees of the Company in aggregate granted under the Share Option Scheme of the Company during the six months ended 30 April 2020 is disclosed at note 14 to the financial statement in this Interim Report.

### CHANGE IN INFORMATION OF DIRECTORS

Mr. Pang Chong Yong has been appointed as non-independent non-executive director of Advance Packaging Technology (M) Bhd (Stock code: 9148), whose shares are listed on the Main Market of the Bursa Malaysia Securities Berhad, with effect from 16 June 2020.

Ms. Kwok Yuen Shan Rosetta obtained a Bachelor of Arts degree in Accounting and Finance from University of Greenwich in 2019.

### AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited consolidated interim results and the interim report of the Company for the six months ended 30 April 2020 and agreed to the accounting principles and practices adopted by the Company.



# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the period ended 30 April 2020  
(Expressed in United States Dollars)



	Note	For the six months ended 30 April	
		2020 (Unaudited) US\$'000	2019 (Unaudited) US\$'000
<b>Revenue</b>	3	<b>16,558</b>	34,935
Cost of sales		<b>(12,962)</b>	(27,808)
<b>Gross profit</b>		<b>3,596</b>	7,127
Other revenue		<b>43</b>	26
Other net income		<b>220</b>	344
Selling and distribution expenses		<b>(280)</b>	(1,678)
Net allowance for impairment losses on trade receivable		<b>(833)</b>	(659)
General and administrative expenses		<b>(1,962)</b>	(2,286)
<b>Profit from operations</b>		<b>784</b>	2,874
Finance costs	4a	<b>(260)</b>	(376)
Share of loss of an associate		<b>–</b>	(300)
<b>Profit before taxation</b>	4	<b>524</b>	2,198
Income tax	6	<b>(246)</b>	(935)
<b>Profit for the period attributable to the equity owners of the Company</b>		<b>278</b>	1,263
<b>Other comprehensive loss for the period</b>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		<b>(739)</b>	(335)
<b>Total comprehensive (loss)/income for the period attributable to equity owners of the Company</b>		<b>(461)</b>	928
<b>Earnings per share</b>			
– Basic (US cents per share)	7	<b>0.11</b>	0.50
– Diluted (US cents per share)	7	<b>0.11</b>	0.50

Note:

The Group has initially applied HKFRS 16 at 1 November 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

# Condensed Consolidated Statement of Financial Position

As at 30 April 2020  
(Expressed in United States Dollars)

	Note	As at 30 April 2020 (Unaudited) US\$'000	As at 31 October 2019 (Audited) US\$'000
<b>Non-current assets</b>			
Property, plant and equipment	8	7,183	7,777
Right-of-use assets	8	556	–
Intangible assets		315	327
Interest in a joint venture		–	–
Deferred tax assets		74	40
		<b>8,128</b>	8,144
<b>Current assets</b>			
Inventories		16,914	18,040
Trade and other receivables	9	6,698	13,485
Pledged bank deposits	10	3,761	3,300
Cash and bank balances		1,871	3,830
		<b>29,244</b>	38,655
<b>Current liabilities</b>			
Trade and other payables	11	6,013	11,657
Contract liabilities		3,699	4,839
Bank borrowings	12	6,279	8,564
Bank overdrafts		1,415	1,546
Lease liabilities		293	62
Provision for taxation		287	481
		<b>17,986</b>	27,149
<b>Net current assets</b>		<b>11,258</b>	11,506
<b>Total assets less current liabilities</b>		<b>19,386</b>	19,650
<b>Non-current liabilities</b>			
Lease liabilities		257	60
		<b>257</b>	60
<b>Net assets</b>		<b>19,129</b>	19,590
<b>Capital and reserves</b>			
Share capital		324	324
Reserves		18,805	19,266
<b>Total equity attributable to owners of the Company</b>		<b>19,129</b>	19,590

Note:

The Group has initially applied HKFRS 16 at 1 November 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 April 2020  
(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
<b>At 1 November 2018 (Audited)</b>	324	10,165	679	(446)	260	5,917	16,899
Impact on initial application of HKFRS 9	—	—	—	—	—	(211)	(211)
	324	10,165	679	(446)	260	5,706	16,688
Profit for the period	—	—	—	—	—	1,263	1,263
Other comprehensive income for the period							
Exchange differences on translation of financial statements of overseas subsidiaries	—	—	—	(335)	—	—	(335)
Total comprehensive income for the period	—	—	—	(335)	—	1,263	928
Lapse of share options (Note 14)	—	—	—	—	(11)	11	—
<b>At 30 April 2019 (Unaudited)</b>	324	10,165*	679*	(781)*	249*	6,980*	17,616
<b>At 1 November 2019 (Audited)</b>	324	9,279	679	(337)	223	9,422	19,590
Profit for the period	—	—	—	—	—	278	278
Other comprehensive income for the period							
Exchange differences on translation of financial statements of overseas subsidiaries	—	—	—	(739)	—	—	(739)
Total comprehensive income for the period	—	—	—	(739)	—	278	(461)
<b>At 30 April 2020 (Unaudited)</b>	324	9,279*	679*	(1,076)*	223*	9,700*	19,129

\* These reserve accounts comprise consolidated reserves of approximately US\$18,805,000 (2019: US\$17,292,000) in the condensed consolidated statement of financial position.

Note:

The Group has initially applied HKFRS 16 at 1 November 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 April 2020  
(Expressed in United States Dollars)

	For the six months ended 30 April	
	2020 (Unaudited) US\$'000	2019 (Unaudited) US\$'000
<b>Net cash generated from operating activities</b>	<b>1,579</b>	3,400
<b>Investing activities</b>		
Interest received	41	26
Payment for purchase of plant and equipment	(46)	(73)
<b>Net cash (used in) investing activities</b>	<b>(5)</b>	(47)
<b>Financing activities</b>		
Increase in pledged bank deposits	(599)	(497)
Proceeds from bank borrowings	10,953	18,354
Repayment of bank borrowings	(13,291)	(20,177)
Repayment of lease liabilities	(160)	(37)
Interest expenses	(260)	(376)
<b>Net cash (used in) financing activities</b>	<b>(3,357)</b>	(2,733)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,783)</b>	620
<b>Effects of foreign exchange translation</b>	<b>(45)</b>	20
<b>Cash and cash equivalents at beginning of the period</b>	<b>2,284</b>	1,644
<b>Cash and cash equivalents at the end of the period</b>	<b>456</b>	2,284
<b>Cash and cash equivalents at the end of the period, represented by</b>		
<b>Cash and bank balances</b>	<b>1,871</b>	3,830
<b>Bank overdrafts</b>	<b>(1,415)</b>	(1,546)
	<b>456</b>	2,284

Note:

The Group has initially applied HKFRS 16 at 1 November 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.



## 1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding. The principal activity of the Group is engaged in assembling and selling of aluminium and steel buses and manufacturing bus bodies. As at 30 April 2020, the directors consider that the Company is ultimately controlled by Mr. Phang Sun Wah and Mr. Pang Chong Yong (the “**Controlling shareholders**”).

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

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

### Basis of preparation

The condensed consolidated financial statements for the six months ended 30 April 2020 comprises the Company and its subsidiaries (together referred to as the “**Group**”) and the Group’s interest in a joint venture.

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

The condensed consolidated financial statements have been prepared on a going concern basis as at 30 April 2020, as the directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration the ability to generate funds internally.

The condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 October 2019.

### Principal accounting policies

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 April 2020 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 31 October 2019.





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

### Principal accounting policies (continued)

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

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 Leases, the new and revised standards have had no significant financial effect on the Group’s condensed consolidated financial statements. The Group has not applied any new standards, amendments or interpretation that is not yet effective for the current accounting period.

### HKFRS 16 “Leases”

HKFRS 16 replaces HKAS 17 Leases, and the related interpretations, HK(IFRIC)-Int 4 Determining whether an arrangement contains a lease, HK(SIC)-Int 15 Operating leases – Incentives and HK(SIC)-Int 27 Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“**short-term leases**”) and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 November 2019. The Group has elected to use modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 November 2019. Comparative information has not been restated and continues to be reported under HKAS 17.



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

### HKFRS 16 “Leases” (continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below.

#### (a) *Change in the accounting policies*

##### (i) *New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 November 2019. For contracts entered into before 1 November 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

##### (ii) *Lessee accounting*

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically office equipment. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.



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

### HKFRS 16 “Leases” (continued)

#### (a) **Change in the accounting policies** (continued)

##### (ii) *Lessee accounting* (continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

##### (iii) *Lessor accounting*

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.



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

### HKFRS 16 “Leases” (continued)

#### **(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies**

##### *(i) Determining the lease term*

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group’s operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group’s control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

##### **(c) Transitional impact**

At the date of transition to HKFRS 16 (i.e. 1 November 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 November 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 5.20%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 October 2020; and
- (ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).



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

### HKFRS 16 “Leases” (continued)

#### (c) *Transitional impact* (continued)

The following table reconciles the operating lease commitments as at 31 October 2019 to the opening balance for lease liabilities recognised as at 1 November 2019:

	<b>1 November 2019</b> (Unaudited) US\$'000
Operating lease commitments at 31 October 2019	732
Less: Short-term leases with remaining lease term ending on 31 October 2020	(60)
Total future interest expenses	<u>(36)</u>
Present value of remaining lease payments, discounted using the incremental borrowing rates at 1 November 2019	636
Finance leases liabilities recognised as at 31 October 2019	<u>122</u>
Total lease liabilities recognised at 1 November 2019	<u>758</u>
Analysed as:	
Current	386
Non-current	<u>372</u>
	<u>758</u>

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 October 2019.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of “obligations under finance leases”, these amounts are included within “lease liabilities”, and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.



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

### HKFRS 16 “Leases” (continued)

#### (c) *Transitional impact* (continued)

The following table summarises the impact of the adoption of HKFRS 16 on the Group’s condensed consolidated statement of financial position:

Line items in condensed consolidated statement of financial position impacted by the adoption of HKFRS 16:	Carrying amount at 31 October 2019 (Audited) US \$'000	Adjustments (Unaudited) US \$'000	Carry amount at 1 November 2019 (Unaudited) US \$'000
	<b>Non-current assets</b>		
Property, plant and equipment	7,777	(138)	7,639
Right-of-use assets	–	774	774
<b>Total non-current assets</b>	<b>7,777</b>	<b>636</b>	<b>8,413</b>
<b>Current liabilities</b>			
Obligations under finance leases	62	(62)	–
Lease liabilities	–	386	386
<b>Total current liabilities</b>	<b>62</b>	<b>324</b>	<b>386</b>
<b>Non-current liabilities</b>			
Obligations under finance leases	60	(60)	–
Lease liabilities	–	372	372
<b>Total non-current liabilities</b>	<b>60</b>	<b>312</b>	<b>372</b>





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

### HKFRS 16 “Leases” (continued)

#### (c) *Transitional impact* (continued)

The analysis of the net book value of the Group’s right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 April 2020 (Unaudited) US\$’000	At 1 November 2019 (Unaudited) US\$’000
Motor vehicle	103	138
Properties leased for own use	453	636
	<b>556</b>	<b>774</b>

#### (d) *Impact on the financial result, segment results and cash flows of the Group*

After the initial recognition of right-of-use assets and lease liabilities as at 1 November 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported profit from operations in the Group’s condensed consolidated statement of profit or loss and other comprehensive income, as compared to the results if HKAS 17 had been applied during the period.

In the condensed consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the condensed consolidated statement of cash flow.



### 3. REVENUE AND SEGMENT REPORTING

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

#### (a) Disaggregation of revenue

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

	Six months ended 30 April	
	2020 (Unaudited) US\$'000	2019 (Unaudited) US\$'000
Revenue from contracts with customers within the scope of HKFRS15		
Disaggregated by major products or services		
– Sales of bus bodies and kits	15,406	33,380
– Sales of parts and provision of relevant services	1,152	1,555
	<b>16,558</b>	<b>34,935</b>

#### Disaggregated by geographical location

	Six months ended 30 April	
	2020 (Unaudited) US\$'000	2019 (Unaudited) US\$'000
Malaysia (place of domicile)	155	48
Singapore	11,807	27,157
Hong Kong	966	3,724
Australia	220	3,550
United Arab Emirates	3,168	–
Others	242	456
	<b>16,558</b>	<b>34,935</b>

#### (b) Segment reporting

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

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

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



### 3. REVENUE AND SEGMENT REPORTING (continued)

#### (b) Segment reporting (continued)

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

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

Information regarding the above segments is reported below.

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

#### For the six months period ended 30 April 2020

	Sales of bus bodies and kits (Unaudited) US\$'000	Sales of parts and provision of relevant services (Unaudited) US\$'000	Total (Unaudited) US\$'000
<b>Revenue</b>			
Revenue from contracts with external customers recognised at a point in time	15,406	1,152	16,558
Reportable segment revenue	15,406	1,152	16,558
Reportable segment profit	793	38	831
<b>Unallocated head office and corporate expenses:</b>			
– Other expenses			(310)
Other revenue			43
Other net income			220
Finance costs			(260)
Profit before income tax			524



### 3. REVENUE AND SEGMENT REPORTING (continued)

#### (b) Segment reporting (continued)

For the six months period ended 30 April 2019

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

Note:

The Group has initially applied HKFRS 16 at 1 November 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.



#### 4. PROFIT BEFORE TAXATION

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

##### (a) Finance costs

	Six months ended 30 April	
	2020 (Unaudited) US\$'000	2019 (Unaudited) US\$'000
Interest expenses on bank and other borrowings	243	371
Interest expenses on lease liabilities	17	5
Total interest expenses on financial liabilities not at fair value through profit or loss	260	376

##### (b) Staff costs (including directors' emoluments)

	Six months ended 30 April	
	2020 (Unaudited) US\$'000	2019 (Unaudited) US\$'000
Salaries, wages and other benefits	1,459	1,532
Contributions to defined contribution retirement plans	234	205
	1,693	1,737

##### (c) Other items

	Six months ended 30 April	
	2020 (Unaudited) US\$'000	2019 (Unaudited) US\$'000
Cost of inventories	12,962	27,808
Depreciation charges		
– owned property, plant and equipment	227	269
– right-of-use assets	194	–
Net allowance for impairment losses on trade receivable	833	659
Net foreign exchange (gain)	(220)	(324)
Minimum operating lease rental expense in respect of		
– properties	–	131
– equipment	–	7
Short-term lease expense	139	–

Note:

The Group has initially applied HKFRS 16 at 1 November 2019 rising the modified retrospective approach. Under this approach, comparative information is not restated.



## 5. DIVIDEND

The proposed final dividend for the year ended 31 October 2019 was vetoed by the Company's shareholders at the annual general meeting held on 24 March 2020. The Board do not recommend the payment of an interim dividend for the six months ended 30 April 2020 (2019: HK\$0.03 per share).

## 6. INCOME TAX

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

	<b>Six months ended 30 April</b>	
	<b>2020 (Unaudited) US\$'000</b>	2019 (Unaudited) US\$'000
<b>Current tax</b>		
Charge for the period	<b>283</b>	1,071
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<b>(37)</b>	(136)
Income tax expense	<b>246</b>	935

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (ii) During the six months period ended 30 April 2020, GML Coach Technology Pte. Ltd. is subject to Singapore statutory income tax rate of 17% (2019:17%).
- (iii) During the six months period ended 30 April 2020, Gemilang Coachwork Sdn. Bhd. is subject to Malaysia statutory income tax rate of 24% (2019: 24%).





## 7. EARNINGS PER SHARE

	Six months ended 30 April	
	2020 (Unaudited) US\$'000	2019 (Unaudited) US\$'000
<b>Earnings</b>		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	<b>278</b>	1,263
<b>Number of shares</b>		
	Six months ended 30 April	
	2020 (Unaudited)	2019 (Unaudited)
<b>Weighted average number of issued ordinary shares at 1 November for the purpose of basic earnings per share</b>	<b>251,364,000</b>	251,080,000
Effect of dilutive potential ordinary shares: Share options	—	283,817
<b>Weighted average number of ordinary shares for the purpose of diluted earnings per share</b>	<b>251,364,000</b>	251,363,817

### Basic earnings per share

The calculation of basic earnings per share is based on the profit for the period of approximately US\$278,000 (2019: US\$1,263,000) and the weighted average of 251,364,000 ordinary shares (2019: 251,080,000 shares).

### Diluted earnings per share

For the six months period ended 30 April 2020, the calculation did not assume the exercise of the outstanding share options and no adjustment had been made to the basic earnings per share as the exercise price per share option was higher than the average market share price of the Company during the Reporting Period. For the six months ended 30 April 2019, the calculation of diluted earnings per share is based on the profit for the period of approximately US\$1,263,000 and the weighted average number of 251,363,817 ordinary shares.



## 8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE-ASSETS

### Property, plant and equipment

During the six months period ended 30 April 2020, the Group acquired certain property, plant and equipment with a cost of approximately US\$46,000 (unaudited) (2019: US\$121,000 (unaudited)). No property, plant and equipment was disposed during the Reporting Period (2019: nil (unaudited)).

### Right-of-use assets

During the six months period ended 30 April 2020, the Group did not enter into new lease agreement for the use of assets with lease term more than 12 months.

## 9. TRADE AND OTHER RECEIVABLES

	<b>At 30 April 2020 (Unaudited) US\$'000</b>	At 31 October 2019 (Audited) US\$'000
Trade receivables	<b>9,329</b>	16,153
Less: allowance for impairment loss	<b>(4,360)</b>	(3,684)
	<b>4,969</b>	12,469
Deposits, prepayment and other receivable	<b>1,729</b>	1,016
	<b>6,698</b>	13,485

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



## 9. TRADE AND OTHER RECEIVABLES (continued)

### Ageing analysis of trade receivables

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

	<b>At 30 April 2020 (Unaudited) US\$'000</b>	At 31 October 2019 (Audited) US\$'000
Within 30 days	<b>856</b>	7,463
31 to 90 days	<b>1,933</b>	3,849
Over 90 days	<b>2,180</b>	1,157
	<b>4,969</b>	12,469

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

## 10. PLEDGED BANK DEPOSITS

	<b>At 30 April 2020 (Unaudited) US\$'000</b>	At 31 October 2019 (Audited) US\$'000
Fixed deposits	<b>3,761</b>	3,300

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



## 11. TRADE AND OTHER PAYABLES

	<b>At 30 April 2020 (Unaudited) US\$'000</b>	At 31 October 2019 (Audited) US\$'000
Trade payables	<b>4,269</b>	7,668
Other payables and accruals	<b>1,744</b>	3,989
	<b>6,013</b>	11,657

### Ageing analysis of trade payables

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

	<b>At 30 April 2020 (Unaudited) US\$'000</b>	At 31 October 2019 (Audited) US\$'000
Within 30 days	<b>586</b>	1,758
31 to 90 days	<b>598</b>	3,683
Over 90 days	<b>3,085</b>	2,227
	<b>4,269</b>	7,668



## 12. BANK BORROWINGS

During the current interim period, the Group obtained new bank borrowings amounting to US\$10,953,000 (unaudited) (31 October 2019: US\$46,889,000 (audited)).

Bank borrowings are secured by:

- (i) Legal charges over freehold land and buildings of the Group;
- (ii) Deposits with licensed banks of the Group;
- (iii) Legal charge over a land held by a related company of the Group for the bank borrowings as at 30 April 2020 and 31 October 2019; and
- (iv) Execution of Deed of Assignment of benefits of contract proceeds and power of attorney by certain customers in respect of contract financed by the bank.

## 13. SHARE CAPITAL

### Ordinary Shares of HK\$0.01 each

#### Authorised:

	<b>No. of shares</b>	<b>Amount</b> <i>US\$'000</i>
At 1 November 2018, 31 October 2019 and 30 April 2020	<u>2,000,000,000</u>	<u>2,581</u>

#### Issued and fully paid:

	<b>No. of shares</b>	<b>Amount</b> <i>US\$'000</i>
At 31 October 2019 and 30 April 2020	<u>251,364,000</u>	<u>324</u>



## 14. SHARE OPTION SCHEME

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

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

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



## 14. SHARE OPTION SCHEME (continued)

A total of 5,000,000 share options (each share option will entitle the holder of the share option to subscribe for one new ordinary share of HK\$0.01 each) were granted on 26 January 2017 under the Scheme and 2,942,000 share options remained outstanding as at 30 April 2020. The closing price of the shares of the Company of the date of grant of share options was HK\$1.74. The option's fair value of approximately US\$379,000 was measured at grant date using the Binomial Option Pricing Model. For the year ended 31 October 2017, an amount of US\$379,000 was recognised as employee costs with corresponding increase in share option reserve within equity.

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

Date of grant	At 1 November 2018	Lapsed during the year	Exercised during the year	Outstanding as at 31 October 2019	Lapsed during the period	Exercised during the period	Outstanding as at 30 April 2020	Exercise price HK\$	Vesting date	Exercisable period
<b>Granted to directors</b>										
26 January 2017	750,000	-	-	750,000	-	-	750,000	1.764	Immediately vested	Within 5 years from grant date
<b>Granted to employees</b>										
26 January 2017	2,678,000	(202,000)	(284,000)	2,192,000	-	-	2,192,000	1.764	Immediately vested	Within 5 years from grant date
	<u>3,428,000</u>	<u>(202,000)</u>	<u>(284,000)</u>	<u>2,942,000</u>	<u>-</u>	<u>-</u>	<u>2,942,000</u>			
Weighted average exercise price (HK\$)	<u>1.764</u>	<u>1.764</u>	<u>1.764</u>	<u>1.764</u>	<u>1.764</u>	<u>1.764</u>	<u>1.764</u>			

No share option has been exercised during the six months period ended 30 April 2020 (weighted average share price at date for share options exercised 31 October 2019: HK\$1.9). The weighted average remaining contractual life of the share options outstanding at 30 April 2020 was approximately 1.75 years (31 October 2019: 2.25 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.



## 14. SHARE OPTION SCHEME (continued)

### (b) Fair value of options and assumptions

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

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

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

## 15. OPERATING LEASE COMMITMENTS

The Group is the lessee in respect of a number of properties held under leases which were classified as operating leases of approximately US\$732,000 under HKAS 17 as at 31 October 2019. During the Reporting Period, the Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 November 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 November 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 2.

## 16. CAPITAL COMMITMENTS

As at 30 April 2020, the Group had capital commitments in relation to capital contribution of approximately US\$212,000 (31 October 2019: US\$213,000) (RMB1,500,000) to the joint venture company, 上海北鋁汽車科技有公司 (“上海北鋁”). The amount of registered capital of 上海北鋁 shall be RMB3,000,000 which the Group and the venture partner, 上海北斗新能源有限公司, shall contribute the capital equally pursuant to the joint venture agreement. As at 30 April 2020 no capital has been contributed by the Group.



## 17. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

Name of party	Relationship with the Group
Gemilang Australia Pty Ltds.	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 Controlling shareholders

### (a) Key management personnel remuneration

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

	Six months period ended 30 April	
	2020 (Unaudited) US\$'000	2019 (Unaudited) US\$'000
Short-term employee benefits	729	721
Post-employment benefits	122	94
	<b>851</b>	815



## 17. RELATED PARTY TRANSACTIONS (continued)

### (b) Financing arrangements with related parties

As at 30 April 2020, the Group has the following balances with related parties:

	Notes	<b>At 30 April 2020 (Unaudited) US\$'000</b>	At 31 October 2019 (Audited) US\$'000
Amounts due from/(to) related companies			
– CP Excel Auto Tech Pte. Ltd.	<i>(i), (ii)</i>	<b>13</b>	14
– P&P Excel Car Air-Conditioning Sdn. Bhd.	<i>(i), (ii)</i>	<b>6</b>	6
– P&P Excel Tech Engineering Sdn. Bhd.	<i>(i), (ii)</i>	<b>–</b>	(101)
– SW Excel Tech Engineering Sdn. Bhd.	<i>(i), (ii)</i>	<b>8</b>	6
– GML Technologies Sdn. Bhd.	<i>(i), (ii)</i>	<b>8</b>	201
		<b>35</b>	126

Notes:

- (i) The outstanding with these parties are unsecured, interest-free and repayable on demand.*
- (ii) The outstanding balance is included in trade and other receivables (Note 9) and trade and other payables (Note 11).*

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

- (i) During the six months periods ended 30 April 2020 and 2019, the Company entered into the following material related party transactions:

**Continuing transactions**

	<b>Six months period ended 30 April</b>	
	<b>2020 (Unaudited) US\$'000</b>	2019 (Unaudited) US\$'000
Sales of bus body		
– Gemilang Australia Pty Ltd. (Note i)	–	898
Sales of parts and services		
– Gemilang Australia Pty Ltd. (Note i)	–	34
Purchases of parts and services		
– P&P Excel Tech Engineering Sdn. Bhd.	134	21
Commission expenses		
– Gemilang Australia Pty Ltd. (Note i)	–	848
Lease expenses		
– Gemilang Technologies Sdn. Bhd. (Note ii)	148	–

Notes:

- (i) The Company ceased to be an associate of the Group on 3 June 2019.
- (ii) During the six months period ended 2020, lease expenses comprised of depreciation charge of right-of-use assets and interest on lease liabilities amounting to approximately US\$134,000 (2019: Nil) and approximately US\$14,000 (2019: Nil), respectively. The right-of-use assets and liabilities as at 30 April 2020 were approximately US\$415,000 (2019: Nil) and approximately US\$421,000 (2019: Nil), respectively.
- (ii) A land held by a related party is pledged with a bank for the Group's borrowings as at 30 April 2020 and 31 October 2019.



## 18. CONTINGENT LIABILITIES

### Performance bonds

	<b>At 30 April 2020 (Unaudited) US\$'000</b>	At 31 October 2019 (Audited) US\$'000
Performance bonds for contracts in favour of customers	<b>5,633</b>	7,389

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

## 19. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

### Update on litigation

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





## 19. EVENTS SUBSEQUENT TO THE REPORTING PERIOD (continued)

### Update on litigation (continued)

In August 2018, the case was heard in the High Court of Malaya at Johor Bahru and Gemilang Coachwork successfully obtained a summary judgment against the Defendants. Subsequently, a winding up petition dated 30 October 2018 was filed in the High Court of Malaya and has been served on the Defendants on 15 November 2018. The winding up petition served on 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. Eventually, the High Court of Malaya ordered Defendant 2 be wound up under the provisions of the Companies Act 2016 on 30 January 2020. The company was informed by its legal adviser that the outstanding amount will be paid upon when the receiver has exercised the right and duty according to the wind up order and the debt will be repaid according to the debt security. As at the date of the results announcement, the distribution results are not completed.

Despite of the fact that several attempts were made to recover the outstanding amount from the Defendants, 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 in the year ended 31 October 2018.

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