



Gemilang International Limited 彭順國際有限公司

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

ANNUAL REPORT 2020



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Corporate Information

EXECUTIVE DIRECTORS

Mr. Pang Chong Yong
(*Chairman and Chief Executive Officer*)
Mr. Phang Sun Wah
(resigned with effect from 11 January 2021)
Ms. Phang Huey Shyan
(resigned with effect from 8 December 2020)

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. Pang Chong Yong (*Chairman*)
(appointed with effect from 11 January 2021)
Mr. Phang Sun Wah
(resigned with effect from 11 January 2021)
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

COMPANY SECRETARY

Ms. Chan Yuen Mui
(resigned with effect from 12 December 2020)
Mr. Yuen Wai Kin
(appointed with effect from 12 December 2020)

AUTHORISED REPRESENTATIVE UNDER PART 16 OF THE COMPANIES ORDINANCE

Ms. Chan Yuen Mui
(resigned with effect from 12 December 2020)
Mr. Yuen Wai Kin
(appointed with effect from 12 December 2020)

AUTHORISED REPRESENTATIVES UNDER LISTING RULES

Ms. Phang Huey Shyan
(resigned with effect from 8 December 2020)
Ms. Chan Yuen Mui
(resigned with effect from 12 December 2020)
Mr. Pang Chong Yong
(appointed with effect from 8 December 2020)
Mr. Yuen Wai Kin
(appointed with effect from 12 December 2020)

AUDITORS

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

LEGAL ADVISERS AS TO HONG KONG LAW

Michael Li & Co. Solicitors
19th Floor, Prosperity Tower,
No. 39 Queen's Road Central
Central, Hong Kong

PRINCIPAL BANKERS

CIMB Bank Berhad

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

Malayan Banking Berhad

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

OCBC Bank (Malaysia) Berhad

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

PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN MALAYSIA

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

SHARE LISTING

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

CORPORATE WEBSITE ADDRESS AND INVESTOR RELATIONS CONTACT

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Email: irgroup@gml.com.my
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CUSTOMER SERVICES

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Financial Summary

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 October				
	2020 US\$'000	2019 US\$'000	2018 US\$'000	2017 US\$'000	2016 US\$'000
Revenue	31,152	63,163	57,091	50,354	48,690
Cost of sales	(25,464)	(50,357)	(44,959)	(37,422)	(36,062)
Gross profit	5,688	12,806	12,132	12,932	12,628
Profit/(loss) before taxation	688	5,178	(1,364)	2,107	3,649
Income tax expenses	(271)	(1,477)	(82)	(922)	(1,533)
Profit/(loss) for the year attributable to equity owners of the Company	417	3,701	(1,446)	1,185	2,116

CONDENSED CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 October				
	2020 US\$'000	2019 US\$'000	2018 US\$'000	2017 US\$'000	2016 US\$'000
Total assets	44,115	46,799	46,966	44,711	39,530
Total liabilities	24,195	27,209	30,067	26,010	31,939
Total equity	19,920	19,590	16,899	18,701	7,591

We remain cautiously optimistic and take actions for ensuring the best interest of the stakeholders of our company.

**Mr. Pang Chong Yong
Chairman**



Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**"), I am pleased to present the annual report of Gemilang International Limited (the "**Company**") together with its subsidiaries (collectively, the "**Group**") for the financial year ended 31 October 2020 (the "**Year**").

RESULTS

During the Year, the Group recorded a revenue of approximately US\$31.15 million, representing a significant decrease of approximately 50.68% from approximately US\$63.16 million in the financial year ended 31 October 2019. The decrease in revenue was primarily due to the decrease in the delivery of bus bodies to Singapore and the United Arab Emirates during the Year as compared to the year ended 31 October 2019.

Profit for the Year attributable to the equity owners of the Company was approximately US\$0.42 million, which represents a significant decrease of approximately US\$3.28 million compared with the profit for the previous financial year of approximately US\$3.70 million. The decrease is mainly attributable to (i) the decrease in revenue of approximately US\$32.01 million; and (ii) the additional expected credit loss provision for trade receivable of approximately US\$0.63 million during the Year.

The Group's results are discussed in detail under the section headed "Management Discussion and Analysis" in this annual report.

DIVIDENDS

The Board has recommended a final dividend of HK\$0.01 per share for the year ended 31 October 2020 (The proposed final dividend of HK\$0.05 per share for the year ended 31 October 2019 was vetoed by the shareholders at the annual general meeting held on 24 March 2020). As a reward to the shareholders for their continuous support, having considered the business, financial and cash flow position of the Group, the Board has also recommended a special dividend of HK\$0.04 per share for the year ended 31 October 2020. The recommended dividends are subject to shareholders' approval at the forthcoming annual general meeting of the Company.

OUTLOOK

Given the prolonged and rapid spread of the 2019 Novel Coronavirus pandemic ("**COVID-19 pandemic**") across most of the geographical regions in the world, the global economic activities showed a significant decline in the Year. According to the "World Economic Outlook" report published by the International Monetary Fund ("**IMF**") in January 2021, the world economy is estimated to contract by 3.5% in calendar year 2020, it is expected that the adverse impacts of COVID-19 will continue to challenge the economic recovery.

In order to control the spread of COVID-19 pandemic, the Malaysian Government implemented Standard Operating Procedures ("**SOP**") to allow certain business sectors to resume their operation under the movement control order/conditional movement control order/recovery movement control order, nevertheless, the border remains closed and the foreigners are prohibited to enter into Malaysia without approval. Facing the complex and challenging environment, the Group has implemented the required SOP and continued its operations in Malaysia. The Group's performance for the Year is inevitably affected by the COVID-19 pandemic, certain scheduled production and delivery of projects have been postponed due to the unfavorable environment.

In 2021, apart from carrying on the postponed projects of 70 units double deck aluminum bus body kits in Malaysia, we will also be delivering 50 units of 3-doors double deck buses to Singapore to fulfill the contract awarded in 2019. Despite the unfavorable business environment during the Year, the Group endeavors to continue to explore business opportunities. We were awarded purchase orders from the United States of America to deliver 20 units of electric bus builds and 40 units of aluminum bus bodies and body kits and orders from Australia to deliver 38 units of single deck electric buses. These orders are scheduled to deliver in 2021.

We believe the adverse impact of COVID-19 pandemic will eventually come to an end and the global economy will recover in the coming years. We will continue our efforts to be well positioned and equipped with technological capability to capture the market share in Asia and expand our footprints worldwide. Our team will continue to work closely with our partners and customers to provide high quality products, rise to challenges and seize the opportunities.

APPRECIATION

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

I would like to take this opportunity to extend my sincere gratitude to our shareholders, customers and business partners for their continuous support and trust, and thank my fellow directors for their concerted effort and insights throughout the past years. We treasure the efforts from the Group's management team and the unwavering commitment of our staff. Please allow me to express my sincere appreciation to our management team and staff for their dedication and commitment.

Pang Chong Yong
Chairman

29 January 2021

Management Discussion and Analysis

BUSINESS OVERVIEW

The Group designs and manufactures bus bodies and assemble buses. We divide our target markets into two segments, namely core markets which comprise Singapore and Malaysia, and developing markets which comprise all other markets to where we export our products to including Australia, Hong Kong, Uzbekistan and the United Arab Emirates. Our buses, comprising city buses and coaches in aluminium, mainly serve public and private bus transportation operators in our target markets.

Our products mainly include single deck, double deck and articulated city buses, as well as single deck, double deck and high deck coaches.

We sell our products to public and private bus transportation operators, chassis principals and their purchasing agents, bus assemblers and manufacturers in two categories: (i) in the form of bus bodies (SKDs* and CKDs*) for their local assembly and onward sales; and (ii) buses (CBUs*).

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

During the Year, 100% of our revenue derived from the sales of aluminium buses and bus bodies in the sales of bus bodies and kits segment. The demand in aluminium bus and bus bodies will continue to be the major business drive as using aluminium as materials meets environmental standards. Aluminium likely be the preferred material for buses, in particular electric buses, due to its lighter weight which results in better energy efficiency.

The Group delivered a total of 195 units of buses (CBUs*) and 56 units of CKDs* to our customers during the Year.

* Notes:

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

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

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

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

Sales of bus bodies and kits segment

	Revenue from external customers	
	For the year ended 31 October	
	2020 US\$'000	2019 US\$'000
Malaysia (place of domicile)	2,675	–
Singapore	18,883	26,470
Hong Kong	920	8,539
Australia	1,849	7,349
Uzbekistan	395	318
United Arab Emirates	3,142	16,196
Others	734	1,510
	28,598	60,382

The sales of bus bodies and kits segment is the major source of income for our Group, with the sales of whole buses as the major product of our Group contributing over 90% of revenue for the years ended 31 October 2019 and 2020. The revenue generated from this segment amounted to approximately US\$28.60 million during the Year, representing a decrease of approximately US\$31.78 million or 52.6% as compared with approximately US\$60.38 million for the year ended 31 October 2019. The decrease in revenue in this segment was attributable to the significant decrease in delivery of whole buses to the Singapore market, the United Arab Emirates market, the Australia market and the Hong Kong market, which was partly offset by the increase in delivery of bus bodies to Malaysia during the Year as compared to the year ended 31 October 2019.

During the Year, the Group delivered a total of 146 units of whole buses to our customers in Singapore, out of which 111 units of double deck city buses were delivered during the Year as compared to 163 units of double deck city buses for the year ended 31 October 2019, resulting in the decrease in revenue from the Singapore market of approximately US\$7.59 million or 28.7% from approximately US\$26.47 million for the year ended 31 October 2019 to approximately US\$18.88 million for the Year.

During the year ended 31 October 2019, the Group received sale orders from the United Arab Emirates to provide 79 units of double deck city buses, of which 66 units were delivered during the year ended 31 October 2019. The remaining 13 units of double deck city buses were delivered during the Year. The decrease in order from the United Arab Emirates led to a decrease in revenue from the United Arab Emirates of approximately US\$13.05 million or 80.6% from approximately US\$16.20 million for the year ended 31 October 2019 to approximately US\$3.14 million for the Year.

Management Discussion and Analysis

The decrease in revenue from the Australia market was approximately US\$5.50 million or 74.8%, from approximately US\$7.35 million for the year ended 31 October 2019 to approximately US\$1.85 million for the Year. The decrease was mainly attributable to the decrease in the number of buses delivered to Australia from 63 units for the year ended 31 October 2019 to 16 units for the Year. Besides, there were also changes in the mode of business operation with Gemilang Australia Pty Limited (“**GMLA**”) since April 2019, where the Group sells whole buses to GMLA instead of selling to end customers in Australia and New Zealand.

Sales of parts and provision of relevant services segment

	Revenue from external customers	
	For the year ended 31 October	
	2020 US\$'000	2019 US\$'000
Malaysia (place of domicile)	235	110
Singapore	1,720	2,256
Hong Kong	74	269
Australia	199	110
United Arab Emirates	48	–
Others	278	36
	2,554	2,781

The segment of sales of parts and provision of relevant services is our secondary source of income, in which its revenue mainly generated from providing after-sales service and sales of parts to our customers. The revenue generated from sales of parts and provision of relevant services segment amounted to approximately US\$2.55 million during the Year, representing a decrease of approximately US\$0.23 million or 8.3% as compared with approximately US\$2.78 million for the year ended 31 October 2019.

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

The sales from this segment during the Year was mainly contributed from the markets where we sold our whole buses to, particularly in Singapore, since the demand of sales of parts and provision of relevant services was correlated with the number of buses sold to these places cumulatively.

OPERATING RESULTS AND FINANCIAL REVIEW

Revenue

Our revenue was principally generated from the assembly and sale of aluminium buses and the manufacture of bus bodies. We generated revenue of approximately US\$63.16 million and US\$31.15 million for the financial years ended 31 October 2019 and 2020 respectively. The decrease in revenue was primarily due to the significant decrease in delivery of bus bodies to Singapore, the United Arab Emirates, Australia and Hong Kong, which was partly offset by the increase in delivery of bus bodies to Malaysia during the Year compared to the year ended 31 October 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 Year:

	For the year ended 31 October			
	2020		2019	
	US\$'000	%	US\$'000	%
Bus (CBU)				
– City Bus	23,353	75.0	58,335	92.4
– Coach	1,800	5.8	728	1.1
Bus Body (CKD)				
– City Bus	3,445	11.0	1,319	2.1
Maintenance and aftersales service	2,554	8.2	2,781	4.4
Total	31,152	100.0	63,163	100.0

Gross profit

Our gross profit was approximately US\$12.81 million and US\$5.69 million for years ended 31 October 2019 and 2020, respectively. Our gross profit margin was approximately 20.3% and 18.3% for financial years ended 31 October 2019 and 2020, respectively. The slight decrease of gross profit margin was due to an increase in production overhead per unit sale.

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\$1.31 million or 75.3% from approximately US\$1.74 million for the financial year ended 31 October 2019 to US\$0.43 million in the Year. Such decrease was driven by the decrease in commission payable for whole buses delivery to Australia which is in line with the decrease in number of whole buses delivered to Australia during the Year and change of business model in Australia since April 2019.

General and administrative expenses

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

Our general and administrative expenses decreased by approximately US\$0.74 million or 15.2% from approximately US\$4.86 million for the financial year ended 31 October 2019 to US\$4.12 million for the Year. Such decrease was mainly attributable from the reduction in legal and professional expenses incurred during the Year.

Income tax expenses

There was a significant decrease in income tax expense of approximately US\$1.21 million or 81.76% from approximately US\$1.48 million during the year ended 31 October 2019 to approximately US\$0.27 million during the Year. The decrease in income tax expense during the Year was mainly due to the decrease of earnings from operation during the Year.

Significant investments held

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

Future plans for material investments and capital assets

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

Material acquisitions and disposals of subsidiaries and affiliated companies

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

Pledge of assets

As at 31 October 2020, pledged bank deposits of approximately US\$3.24 million (2019: approximately US\$3.30 million) as disclosed in the consolidated statement of financial position have been pledged to banks as security for banking facilities granted to the Group. The net book value of the following assets were pledged to secure certain banking facilities granted to the Group:

	2020 US\$'000	2019 US\$'000
Freehold land	1,853	1,860
Buildings	4,256	4,377
	6,109	6,237

Contingent liabilities

As at 31 October 2020, the Group had the following contingent liabilities:

	2020 US\$'000	2019 US\$'000
Performance bonds for contracts in favour of customers	5,830	7,389

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

Capital commitments

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

	2020 US\$'000	2019 US\$'000
Contracted but not provided for:		
– Investment in joint venture (RMB1,500,000)	224	213

During the year ended 31 October 2019, 順鋁(上海)汽車科技有限公司 (“順鋁(上海)”), an indirectly wholly-owned subsidiary of the Company, entered into a joint venture agreement (the “**JV agreement**”) with 上海北斗新能源有限公司 (“**Beidou**”) pursuant to which both companies agreed to establish a joint venture company, 上海北鋁汽車科技有限公司 (“**JV Company**”). Pursuant to the JV agreement, the amount of registered capital of the JV Company shall be RMB3,000,000 while 順鋁(上海) and Beidou shall each account for a capital contribution of RMB1,500,000. As at 31 October 2020, the Group has not contributed any capital into the JV Company.

PROSPECTS

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

The following highlights our key development strategies:

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

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

We plan to streamline and improve our production process in Malaysia

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

We will further enhance our strategic partnership with chassis principals

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

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

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

We aim to consolidate our leading position in Malaysia and Singapore

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

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

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

We will further diversify our product portfolio

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

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

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

EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 31 October 2020 and up to the date of this report.

DIVIDENDS

The Board has recommended a final dividend of HK\$0.01 per share for the year ended 31 October 2020 (The proposed final dividend of HK\$0.05 per share for the year ended 31 October 2019 was vetoed by the shareholders at the annual general meeting held on 24 March 2020). As a reward to the shareholders for their continuous support, having considered the business, financial and cash flow position of the Group, the Board has also recommended a special dividend of HK\$0.04 per share for the year ended 31 October 2020. The recommended dividends are subject to shareholders' approval at the forthcoming annual general meeting of the Company. Such final dividend and special dividend will not be subject to any withholding tax in Hong Kong. Subject to approval of shareholders at the forthcoming annual general meeting, the final dividend and special dividend are expected to be paid on or about Monday, 26 April 2021.

ANNUAL GENERAL MEETING

The annual general meeting is scheduled to be held on Friday, 26 March 2021. The notice of annual general meeting will be published and despatched to the shareholders in due course.

CLOSURES OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company which will be held on Friday, 26 March 2021, the register of members of the Company will be closed from Tuesday, 23 March 2021 to Friday, 26 March 2021, both days inclusive, during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 22 March 2021.

Subject to the approval of shareholders of the Company at the forthcoming annual general meeting, the final dividend and special dividend will be distributed on or about Monday, 26 April 2021 to shareholders of the Company whose names appear on the register of members of the Company after the close of business of the Company on Thursday, 1 April 2021 and the register of members of the Company will be closed on Thursday, 1 April 2021, during which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend and special dividend, all share transfer documents accompanied by the relevant share certificates shall be lodged not later than 4:30 p.m. on Wednesday, 31 March 2021 with the Company's branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

FOREIGN CURRENCY RISK

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 October 2020, the aggregate sum of the Group's bank balances and cash net of bank overdrafts, and short-term pledged bank deposits amounted to approximately US\$2.60 million, representing a decrease of approximately US\$2.98 million compared with as at 31 October 2019 of approximately US\$5.58 million. The net current assets and total equity of the Group were approximately US\$11.83 million (2019: approximately US\$11.51 million) and approximately US\$19.92 million (2019: approximately US\$19.59 million). As at 31 October 2020, the Group's bank borrowings and bank overdrafts amounted to approximately US\$11.62 million (2019: approximately US\$10.11 million).

As at 31 October 2020, the Group's gearing ratio, which is computed based on dividing the total outstanding indebtedness by the total equity, was approximately 50% (2019: approximately 33%).

The Group monitors capital using, *inter alia*, a gearing ratio which is net debt divided by total equity. Net debt includes bank overdrafts, interest-bearing bank borrowings and lease liabilities, less cash and bank balances. The gearing ratio as at 31 October 2020 and 2019 are as follows:

	2020 US\$'000	2019 US\$'000
Lease liabilities	353	122
Bank borrowings	9,059	8,564
Bank overdrafts	2,561	1,546
	11,973	10,232
Less: Cash and bank balances	1,929	3,830
Net debt	10,044	6,402
Total equity	19,920	19,590
Net debt-to-equity ratio	50%	33%

CAPITAL STRUCTURE

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

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

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 October 2020, the total number of full-time employees of the Group was approximately 332 (2019: approximately 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 jurisdiction.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the Code Provisions (the "**Code Provisions**") as set out in the Corporate Governance Code (the "**CG Code**") in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the year ended 31 October 2020. Further details are disclosed in the "Corporate Governance Report" section in this annual report.

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

LITIGATION

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

In August 2018, the case was heard in the High Court of Malaya at Johor Bahru and Gemilang Coachwork successfully obtained a summary judgment against the Defendants. Subsequently, a winding up petition dated 30 October 2018 was filed in the High Court of Malaya and has been served on the Defendants on 15 November 2018. The winding up petition served on 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.

USE OF PROCEEDS

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

Uses of net proceeds	Planned amount as stated in the Prospectus⁽¹⁾ US\$ million	Actual amount utilised up to 31 October 2020 US\$ million	Actual balance as at 31 October 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	8.77	(7.51)	1.26

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

Management Discussion and Analysis

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

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Pang Chong Yong (彭中庸), aged 61, is the co-founder of our Group and has been the chairman of the Board since 11 January 2021, the chief executive officer and the executive Director since 21 June 2016. He is also the director of various subsidiaries of the Company, he is primarily responsible for formulating overall corporate strategies and policies of our Group, general management and day-to-day operation of our Group. He worked as an air-conditioning technician and was a partner to Hotoh Bus & Car Air Conditioning, which engaged in installation of car accessories and provision of after-sales services. Mr. Pang had over 10 years of experience in the installation of cars accessories and provision of after-sales services and over 25 years in bus assembly and bus body manufacturing.

Currently, Mr. Pang is a 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Lee Kit Ying (李潔英), aged 72, was appointed as an independent non-executive Director on 21 October 2016. She is mainly responsible for supervising and providing independent judgment to our Board. Ms. Lee obtained a Bachelor's degree from City of London Polytechnic, U.K. (now known as London Metropolitan University) in 1979 majoring in accountancy and a Master's degree from City University of Hong Kong in 1998 majoring in Financial Engineering. Ms. Lee is a senior fellow of the Institute of Chartered Accountants in England and Wales. She previously held a number of senior positions in Hong Kong Futures Exchange, the Stock Exchange and Hong Kong Exchanges and Clearing Limited.

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

Biographical Details of Directors and Senior Management

Ms. Wong Hiu Ping (黃曉萍), aged 49, was appointed as an independent non-executive Director on 21 October 2016. She is mainly responsible for supervising and providing independent judgment to our Board. She has approximately 20 years of experience in financial accounting. During the period from June 2014 to May 2018, Ms. Wong worked at Pico Denshi (H.K.) Ltd., a company in the field of electronics, and as a regional head of finance mainly responsible for overseeing accounting and financial activities. From January 2011 to June 2013, Ms. Wong worked at Synthes (Hong Kong) Ltd, a medical device provider, as a finance controller mainly responsible for overseeing the Hong Kong finance department. From February 2010 to January 2011, Ms. Wong was the finance manager of Korn/Ferry International (H.K.) Ltd., an executive recruiting and search firm. From November 2007 to December 2009, Ms. Wong was the assistant finance manager of Pricoa Relocation Hong Kong Ltd, a firm principally engaged in the provision of relocation services, mainly responsible for overseeing finance department. From September 2001 to March 2007, Ms. Wong worked as an assistant accounting manager mainly responsible for overseeing finance department in Dun & Bradstreet (HK) Ltd.

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

Ms. Kwok Yuen Shan Rosetta (郭婉珊), aged 43, was appointed as an independent non-executive Director on 21 October 2016. She is mainly responsible for supervising and providing independent judgment to our Board. Ms. Kwok was qualified as a solicitor in Hong Kong in August 2009 and held the position of assistant solicitor in Jesse H.Y. Kwok & Co. since October 2009. Prior to that, she was a trainee solicitor from July 2007 to July 2009 and was a paralegal from July 2004 to June 2007 in the same firm.

Ms. Kwok graduated from California State University, East Bay (previously known as California State University, Hayward) in the United States, with a Double Bachelor degree in Computer Science and Mathematics in 2002. She subsequently obtained her Juris Doctor degree and the Postgraduate Certificate in Laws from the City University of Hong Kong in 2006 and 2007, respectively. In 2019, she further obtained a Bachelor of Arts degree in Accounting and Finance from University of Greenwich.

Mr. Huan Yean San, aged 44, was appointed as the independent non-executive Director on 21 October 2016. He is mainly responsible for supervising and providing independent judgment to our Board. He has over 20 years of experience in the fields of corporate taxation, auditing services and the financial management reporting affairs. He joined Foo, Lee An & Associates, a chartered accounting firm in Malaysia, as an audit assistant in 1999. At that time, he was responsible for managing audit start up works and verifying supporting documents. From 2002 to 2006, he worked at Foo, Lee An & Associates as a tax senior responsible for advising clients in payment of several taxes such as income tax and property tax. From 2006 onward, Mr. Huan has been serving as a tax manager in this firm currently responsible for managing and developing relationship with clients.

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

The Directors are pleased to present their annual report and the audited consolidated financial statements of the Group for the financial year ended 31 October 2020.

INITIAL PUBLIC OFFERING

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

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

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

and the business review must also include:

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

Part of further discussion and analysis as required by Schedule 5 to the Company Ordinance are set out in the “Chairman’s Statement”, “Management Discussion and Analysis”, “Corporate Governance Report” and “Notes to the Consolidated Financial Statements” sections of this annual report. The above sections form part of the Directors’ Report. In addition, details of the Group’s financial risk management are disclosed in note 29 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the financial year ended 31 October 2020 and the Group's financial position at that date are set out in the financial statements on pages 76 to 78.

The Board has recommended the payment of final dividend of HK\$0.01 per share for the year ended 31 October 2020. As a reward to the shareholders for their continuous support, having considered the business, financial and cash flow position of the Group, the Board has also recommended the payment of special dividend of HK\$0.04 per share for the year ended 31 October 2020. The recommended dividends are subject to shareholders' approval at the forthcoming annual general meeting of the Company.

SUMMARY FINANCIAL INFORMATION

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

DIVIDEND POLICY

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

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

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

SHARE CAPITAL

Details of movements in the Company's share capital during the Year are set out in note 28 to the financial statements.

SHARE OPTION SCHEME

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

(a) Purpose of the Share Option Scheme

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

(b) Grant and acceptance of options

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

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

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

(c) Subscription price of Shares

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

(d) Maximum number of Shares

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

As at the date of this annual report, the total number of securities available for issue under the Share Option Scheme is 23,636,000 Shares which represent approximately 9.4% of the issued Shares as at the date of this annual report.

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

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

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

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

(e) Exercise of options

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

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

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

Report of the Directors

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

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 then directors, chief executive or substantial shareholder of the Company, or any of their respective associate(s) (as defined in the Listing Rules), details of which are as follows:

Name of grantee	Capacity	Number of Share Options granted
Directors		
Mr. Pang Chong Yong	Chief executive officer, executive director and substantial shareholder of the Company	250,000
Mr. Phang Sun Wah	Chairman, 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
		<hr/>
		750,000
Employees		
Mr. Phang Jyh Siong ¹	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 ²	The father of Mr. Pang Chong Yong and employee of the Group	50,000
Ms. Pang Yok Moy ³	The sister of Mr. Pang Chong Yong and employee of the Group	76,000
		<hr/>
		410,000
		<hr/>
		1,160,000

Notes

¹ All 284,000 Share Options were exercised during the year ended 31 October 2019. There was no outstanding Share Option as at 1 November 2019 and 31 October 2020.

² As at 1 November 2019, 50,000 Share Options were outstanding and exercisable. The aforesaid 50,000 Share Options were lapsed during the year ended 31 October 2020. There was no outstanding Share Option as at 31 October 2020.

³ As at 1 November 2019 and 31 October 2020, 38,000 Share Options were outstanding and exercisable. No Share Options was exercised or lapsed during the year ended 31 October 2020.

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

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

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

A total of 5,000,000 Share Options were granted on 26 January 2017 under the Share Option Scheme and 2,794,000 Share Options remained outstanding as at 31 October 2020 with 148,000 Share Options have been lapsed during the Year.

The table showing movements in the Company's share options held by the directors and the employees of the Company in aggregate granted under the Share Option Scheme of the Company during the Year is disclosed at note 26 to the financial statements:

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DISTRIBUTABLE RESERVES

As at 31 October 2020, the Company's reserves available for distribution, calculated in accordance with the provisions of Companies Law of the Cayman Islands, amounted to approximately US\$15,836,000.

CHARITABLE CONTRIBUTIONS

During the Year, the Group had made approximately US\$16,000 charitable and/or other donations.

MAJOR CUSTOMERS AND SUPPLIERS

The turnover attributable to the five largest customers of the Group accounted for approximately 82.1% of the Group's total turnover for the Year and turnover from the largest customer included therein amounted to approximately 56.2%.

Purchases from the Group's five largest suppliers accounted for approximately 42.3% of the Group's total purchases for the Year and purchases from the largest supplier included therein amounted to approximately 15.7%.

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

DIRECTORS

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

Executive Directors

Mr. Pang Chong Yong (*Chairman and Chief Executive Officer*) (*Note 1*)

Mr. Phang Sun Wah (*Note 2*)

Ms. Phang Huey Shyan (*Note 3*)

Independent non-executive Directors

Ms. Lee Kit Ying

Ms. Wong Hiu Ping

Ms. Kwok Yuen Shan Rosetta

Mr. Huan Yean San

Notes:

Subsequent to the year ended 31 October 2020 and up to the date of this report,

- (1) Mr. Pang Chong Yong, being the Chief Executive Officer, has been appointed as the Chairman of the Board in replacement of Mr. Phang Sun Wah with effect from 11 January 2021;
- (2) Mr. Phang Sun Wah had resigned as an executive Director and ceased to act as the Chairman of the Board with effect from 11 January 2021; and
- (3) Ms. Phang Huey Shyan had resigned as an executive Director and the Chief Corporate Officer of the Company with effect from 8 December 2020.

According to Article 84(1) of the Company's articles of association, Ms. Wong Hiu Ping and Mr. Huan Yean San shall retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election as independent non-executive Directors at the annual general meeting.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Company are set out on pages 21 to 22 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

Name of Directors	Date of Commencement
Mr. Pang Chong Yong	11 November 2019
Mr. Phang Sun Wah (Resigned on 11 January 2021)	11 November 2019
Ms. Phang Huey Shyan (Resigned on 8 December 2020)	11 November 2019
Ms. Lee Kit Ying	11 November 2019
Ms. Wong Hiu Ping	11 November 2019
Ms. Kwok Yuen Shan Rosetta	11 November 2019
Mr. Huan Yean San	11 November 2019

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

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

DIRECTORS' REMUNERATION

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

Details of the remuneration of the Directors of the Company for the financial year ended 31 October 2020 are set out in note 8 to the financial statements.

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Saved as disclosed in this annual report, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding companies of the Company, or any of the Company's subsidiaries was a party during the financial year ended 31 October 2020.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 October 2020, none of the Directors of the Company are considered to be interested in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

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

As at 31 October 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, as set out in Appendix 10 to the Listing Rules were as follows:

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

Name of Shareholders	Capacity/ Nature of interests	Total number of Shares and underlying Shares held ⁽¹⁾⁽⁶⁾	Approximate percentage of issued share capital of the Company
Mr. Pang Chong Yong	Interest in a controlled corporation ⁽²⁾	82,078,125 (L)	32.65%
	Interest held jointly with Mr. Phang Sun Wah ⁽⁴⁾	66,790,125 (L)	26.57%
	Beneficial Interest ⁽⁶⁾	250,000 (L)	0.10%
Mr. Phang Sun Wah (Resigned on 11 January 2021)	Interest in a controlled corporation ⁽³⁾	65,580,125 (L)	26.09%
	Interest held jointly with Mr. Pang Chong Yong ⁽⁴⁾	82,328,125 (L)	32.75%
	Beneficial Interest ⁽⁶⁾	1,070,000 (L)	0.42%
	Interest of spouse ⁽⁵⁾	140,000 (L)	0.06%
Ms. Phang Huey Shyan (Resigned on 8 December 2020)	Beneficial Interest ⁽⁶⁾	260,000 (L)	0.10%

Notes:

- (1) The letter "L" denotes a person's "long position" (as defined under Part XV of the SFO) in such Shares.
- (2) 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 approximately 32.65% of the entire issued share capital of the Company.
- (3) 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 65,580,125 Shares held by Sun Wah Investments Limited, representing approximately 26.09% 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 approximately 59.32% 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, Ms. Chew Shi Moi.
- (6) Included interests of Share Options granted under the Share Option Scheme which was adopted by the Company on 21 October 2016.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

Save as disclosed in the section headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY", as at 31 October 2020, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Long positions in the ordinary Shares

Name of Shareholders	Capacity/ Nature of interests	Total number of Shares and underlying Shares held ⁽¹⁾⁽⁷⁾	Approximate percentage of issued share capital of the Company
Sun Wah Investments Limited	Beneficial owner	65,580,125 (L)	26.09%
Golden Castle Investments Limited (" Golden Castle ")	Beneficial owner ⁽²⁾	82,078,125 (L)	32.65%
Gold-Face Finance Limited (" Gold-Face ")	Person having a security interest in Shares ⁽³⁾	82,078,125 (L)	32.65%
Upbest Group Limited	Interest of controlled corporation ⁽³⁾	82,078,125 (L)	32.65%
Ms. Chew Shi Moi	Interest of spouse ⁽⁴⁾⁽⁵⁾⁽⁷⁾ Beneficial owner	148,978,250 (L) 140,000 (L)	59.26% 0.06%
Ms. Low Poh Teng	Interest of spouse ⁽⁴⁾⁽⁶⁾⁽⁷⁾	149,118,250 (L)	59.32%

Notes:

- (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, which is wholly-owned by Mr. Pang Chong Yong, 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 and Mortgage Limited, which in turn is wholly-owned by Upbest Strategic Company Limited and Good Foundation Company Limited 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. As such, Upbest Credit and Mortgage Limited, Upbest Strategic Company Limited, Good Foundation Company Limited, 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 approximately 59.32% 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 all the Shares in which Mr. Phang Sun Wah is interested under Part XV of the SFO.

- (6) Ms. Low Poh Teng is the spouse of Mr. Pang Chong Yong. Therefore, Ms. Low Poh Teng is deemed to be interested in all the Shares in which Mr. Pang Chong Yong is interested under Part XV of the SFO.
- (7) Included interests of Share Options granted under the Share Option Scheme which was adopted by the Company on 21 October 2016.

Save as disclosed above, as at 31 October 2020, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section headed “Directors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company” above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

CONNECTED TRANSACTION

The Company had no connected transaction conducted during the financial year ended 31 October 2020.

RELATED PARTY TRANSACTIONS

Related party transactions of the Group during the Year are disclosed in note 32 to the financial statements. They did not constitute connected transactions or continuing connected transaction, which are required to comply with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACTS

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

CONTRACT OF SIGNIFICANCE

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

DEED OF NON-COMPETITION UNDERTAKING

Each of the Controlling Shareholders has confirmed to the Company of his/its compliance with the non-competition undertakings provided to the Company under a deed of non-competition dated 21 June 2016 during the year ended 31 October 2020. The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the deed of non-competition have been complied with by the Controlling Shareholders and duly enforced during the year ended 31 October 2020.

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

Being one of the prominent bus manufacturing solution providers in Asia, we understand the necessity for the Group to take a step forward to be a leader in combating the growing environmental challenges and even showcase a constructive move to our environment and society. We are dedicated to enhance our environmental stewardship by minimising environmental footprints arising from our operations. We formulate environmental policies and supporting procedures for promoting responsible use of resources. During the Year, the Group was not aware of any material non-compliance with the applicable environmental laws and regulations that have a significant impact on the Group.

For more details, please refer to the “Environmental, Social and Governance Report” section in this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group has adopted internal control measures to monitor the continuous compliance with relevant laws and regulations such as the Companies Law of the Cayman Islands, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the SFO, the Listing Rules and other rules and regulations implemented in relevant jurisdictions. During the Year, as far as the Board is concerned, the Group has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the financial year ended 31 October 2020. We have complied with the requirements of the Environmental Quality (Scheduled Wastes) Regulations 2005, which generally regulates the generation and disposal of wastes prescribed thereby, and the air emission from our factory are within the standard limits imposed by the Environmental Quality (Clean Air) Regulation 1978.

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

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS AND OTHER STAKEHOLDERS

The Group has maintained long-term relationships with its employees, customers and suppliers:

Employees: Employees are the key of our business success. Their safety is our top priority. Safety and health considerations are never compromised with regular safety assessments and workplace hazard identification. Various staff development and environmental training programmes are provided for our employees to encourage environmental protection behaviours and raise their awareness on sustainable development. To promote green office, we have also established internal environmental policy to foster harmonic and environmentally friendly workplace.

Customers: For product quality monitoring, we established quality management system and internal safety council to stringently examine our product quality and provide guidance on further enhancement. We always welcome and learn modestly from our customers' opinions and complaints so that we can constantly exceed their expectation.

Suppliers: We put immense effort in engaging suppliers. We have established a comprehensive assessment to select qualified suppliers. Their performance is also under regular audit to ensure their proper implementation of quality management system.

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

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

On behalf of the Board
Pang Chong Yong
Chairman

29 January 2021

CORPORATE GOVERNANCE PRACTICES

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

The Company has complied with the applicable Code Provisions of the CG Code as set out in Appendix 14 to the Listing Rules save and except for Code Provision C.1.2 throughout the Year. 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Having made specific enquiry of all Directors, they confirmed that they had complied with the required standard set out in the Model Code regarding securities transactions by Directors throughout the year ended 31 October 2020.

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

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

THE BOARD OF DIRECTORS

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

As at 31 October 2020, the Board comprised 7 Directors, including 3 executive Directors and 4 independent non-executive Directors. The list of all Directors are set out below:

Executive Directors

Mr. Phang Sun Wah (*Chairman*)

Mr. Pang Chong Yong (*Chief Executive Officer*)

Ms. Phang Huey Shyan (*Chief Corporate Officer*)

Independent non-executive Directors

Ms. Lee Kit Ying

Ms. Wong Hiu Ping

Ms. Kwok Yuen Shan Rosetta

Mr. Huan Yean San

Subsequent to the year ended 31 October 2020 and up to the date of this report, (i) Ms. Phang Huey Shyan had resigned as an executive Director and the Chief Corporate Officer of the Company with effect from 8 December 2020; (ii) Mr. Phang Sun Wah had resigned as an executive Director and ceased to act as the Chairman of the Board with effect from 11 January 2021; and (iii) Mr. Pang Chong Yong has been appointed as the Chairman of the Board in replacement of Mr. Phang Sun Wah with effect from 11 January 2021.

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

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

Biographical details and the relationships among the members of the Board are disclosed under "Biographical Details of Directors and Senior Management" on pages 21 to 22 of this annual report.

Chairman and Chief Executive Officer

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

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

During the year ended 31 October 2020, the positions of the Chairman and Chief Executive Officer were held by Mr. Phang Sun Wah and Mr. Pang Chong Yong, respectively. Their respective responsibilities are clearly defined and set out in writing.

Subsequent to the year ended 31 October 2020, Mr. Pang Chong Yong has held the positions of the Chairman and Chief Executive Officer with effect from 11 January 2021 upon the resignation of Mr. Phang Sun Wah.

Code Provision A.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Accordingly, the appointment of Mr. Pang Chong Yong, being the Chief Executive Officer, as the Chairman deviates from the relevant Code Provision.

The Board believes that resting the roles of both the Chairman and the Chief Executive Officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board also considers that this arrangement will not impair the balance of power and authority as a majority of the Board members are represented by the independent non-executive Directors, who offer different independent perspectives. In addition, the Board meets regularly to consider major matters affecting the operations of the Group and all Directors are properly and promptly briefed on such matters with adequate, complete and reliable information. Therefore, the Board is of the view that the balance of power and safeguards in place are adequate. The Board would review and monitor the situation on a regular basis, and it would ensure that the present structure would not impair the balance of power in the Group.

Independent Non-Executive Directors

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

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

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

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

BOARD COMMITTEES

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

Audit Committee

The audit committee consists of three independent non-executive Directors with Mr. Huan Yean San as the chairman. Other members are Ms. Kwok Yuen Shan Rosetta and Ms. Wong Hiu Ping. At the discretion of the audit committee, executive Directors and/or senior management personnel overseeing the Group's finance may be invited to attend meetings.

The terms of reference of the audit committee are of no less exacting terms than those set out in the CG Code. The audit committee normally meets two times a year. The audit committee also meets the external auditors twice without the presence of the executive Directors. The duties of the audit committee include, among other things, reviewing and monitoring the financial and internal control aspects, risk management system, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The audit committee reviews the truth and fairness of the Group's interim and annual financial statements, discusses with the external auditors the nature and scope of audit before the audit commences as well as the findings and recommendations raised by the auditors during and after completion of the audit. The audit committee conducts an assessment, at least annually, of the effectiveness of the Group's internal controls and financial controls system, risk management system, scope of work and appointment of external auditors and arrangements for employees to raise concerns about possible improprieties. This allows the Board to monitor the Group's overall financial position and to protect its assets. The chairman of the audit committee summarises activities of the audit committee, highlights issues arising therefrom, and provides recommendations for reporting to the Board after each meeting.

Attendance record of meetings during the Year is set out on page 44 of this annual report.

The audit committee performed the following work during the year ended 31 October 2020:

- (a) reviewed the Group's annual audited financial statements for the year ended 31 October 2020, and reviewed the unaudited interim financial statements for the six months ended 30 April 2020 including the accounting principles and accounting standards adopted with recommendations made to the Board for approval;
- (b) reviewed the changes in accounting standards and assessed their potential impacts on the Group's financial statements;
- (c) reviewed the Group's internal control system and related matters; and
- (d) considered and made recommendations on the re-appointment of the independent auditor of the Group, and the terms of engagement.

Nomination Committee

The nomination committee consisted of one executive Director and two independent non-executive Directors with Mr. Phang Sun Wah, the then executive Director, as the chairman during the year ended 31 October 2020. Other members are Ms. Kwok Yuen Shan Rosetta and Ms. Wong Hiu Ping, being independent non-executive Directors.

The terms of reference of the nomination committee are of no less exacting terms than those set out in the CG Code.

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

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

In identifying and selecting suitable candidates for directorships, the nomination committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve board diversity, where appropriate, before making recommendation to the Board.

Attendance record of meeting during the Year is set out on page 44 of this annual report.

The main works performed by nomination committee during the year ended 31 October 2020 included reviewing the structure and composition (including the skills, knowledge and experience) of the Board as well as reviewing board diversity policy and recommending the same to the Board for approval.

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

Subsequent to the year ended 31 October 2020, (i) Mr. Phang Sun Wah ceased to act as the chairman of the nomination committee and (ii) Mr. Pang Chong Yong has been appointed as the chairman of nomination committee with effect from 11 January 2021.

Remuneration Committee

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

The terms of reference of the remuneration committee are of no less exacting terms than those set out in the CG Code.

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

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

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

Attendance record of meetings during the Year is set out on page 44 of this annual report.

The main works performed by remuneration committee during the year ended 31 October 2020 included reviewing the remuneration packages of the executive Directors, independent non-executive Directors and senior management for the year ended 31 October 2020.

Details of the remuneration of each Director and 5 highest paid employees for the financial year ended 31 October 2020 are set out in notes 8 and 9 to the financial statements, respectively. For the financial year ended 31 October 2020, the remunerations of the members of the senior management team who are not executive Directors are within the following bands:

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

Corporate Governance Functions

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

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

Attendance Record of Directors and Committee Members

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

	No. of meeting attended/No. of meeting held				2020 AGM
	Board	Audit Committee	Nomination Committee	Remuneration Committee	
Number of meetings held	7 [#]	3	1	1	1
Executive Directors:					
Pang Chong Yong	7/7 [#]	–	–	1/1	1/1
Phang Sun Wah (Resigned on 11 January 2021)	7/7 [#]	–	1/1	–	1/1
Phang Huey Shyan (Resigned on 8 December 2020)	7/7 [#]	3/3*	–	–	1/1
Independent Non-Executive Directors:					
Lee Kit Ying	7/7 [#]	–	–	–	1/1
Wong Hiu Ping	7/7 [#]	3/3	1/1	1/1	1/1
Kwok Yuen Shan Rosetta	7/7 [#]	3/3	1/1	1/1	1/1
Huan Yean San	7/7 [#]	3/3	–	–	1/1

[#] Including three written resolutions in lieu of meeting passed pursuant to articles of association of the Company during the year.

* The director is not a member of the audit committee.

Apart from regular Board meetings, the Chairman also held meetings with the independent non-executive Directors without the presence of other Directors during the Year.

The independent non-executive Directors have attended general meetings to gain and develop a balanced understanding of the view of shareholders.

BOARD DIVERSITY POLICY

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

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

Name of Director	Age Group			
	30 to 39	40 to 49	50 to 59	60 or Above
Pang Chong Yong				✓
Phang Sun Wah (Resigned on 11 January 2021)				✓
Phang Huey Shyan (Resigned on 8 December 2020)	✓			
Lee Kit Ying				✓
Wong Hiu Ping		✓		
Kwok Yuen Shan Rosetta		✓		
Huan Yean San		✓		

Name of Director	Professional Experience		
	Manufacture of buses	Law	Accounting and Finance
Pang Chong Yong		✓	
Phang Sun Wah (Resigned on 11 January 2021)		✓	
Phang Huey Shyan (Resigned on 8 December 2020)			✓
Lee Kit Ying			✓
Wong Hiu Ping			✓
Kwok Yuen Shan Rosetta		✓	
Huan Yean San			✓

DIRECTOR NOMINATION POLICY

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the nomination committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Willingness to devote adequate time to discharge duties as a Board member and other directorships and significant commitments;
- The number of existing directorships and other commitments that may demand the attention of the candidate;
- Requirement for the Board to have independent non-executive Directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- Board diversity policy of the Company and any measurable objectives adopted by the Board for achieving diversity on the Board; and
- Such other perspectives appropriate to the Company's business.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the year ended 31 October 2020, there was no change in the composition of the Board.

The nomination committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

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

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

Directors are encouraged to participate in continuous professional development so as to refresh their knowledge and skills for discharging their duties and responsibilities. For the year ended 31 October 2020, relevant reading materials including regulatory update and seminar handouts, etc. have been provided to the Directors for their reference and studying.

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

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

Executive Directors:

Pang Chong Yong	✓
Phang Sun Wah (Resigned on 11 January 2021)	✓
Phang Huey Shyan (Resigned on 8 December 2020)	✓

Independent Non-Executive Directors:

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

COMPANY SECRETARY

The Company Secretary supports the Chairman, the Board and Board committees by ensuring good information flow within the Board and that Board policy and procedures are followed. The Company Secretary reports to the Board and assists the Board in functioning effectively and efficiently. The Company Secretary also advises the Board on governance matters and facilitates the induction and professional development of Directors.

The Company engaged external service provider to provide company secretarial services and Ms. Chan Yuen Mui (“**Ms. Chan**”) was appointed as the Company Secretary since 24 May 2019. During the year ended 31 October 2020, Ms. Chan’s primary contact person in the Company was Ms. Phang Huey Shyan, the then executive Director and Chief Corporate Officer of the Company. Ms. Chan is a chartered company secretary and fulfilled the requirements under rules 3.28 and 3.29 of the Listing Rules. She undertook over 15 hours of relevant professional training to update her skills and knowledge during the Year.

Subsequent to the year ended 31 October 2020 and up to date of this annual report, Ms. Chan has resigned as the Company Secretary with effect from 12 December 2020. Following Ms. Chan’s resignation, Mr. Yuen Wai Kin (“**Mr. Yuen**”) has been appointed as the Company Secretary with effect from 12 December 2020. Mr. Yuen is a member of The Hong Kong Institute of Certified Public Accountants, an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Therefore Mr. Yuen meets the qualification requirements under Rule 3.28 of the Listing Rules.

DIRECTORS’ RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The following statement, which sets out the responsibilities of the Directors in relation to the financial statements, should be read in conjunction with, but distinguished from, the independent auditors’ report on pages 70 to 75 which acknowledges the reporting responsibilities of the Group’s auditors.

Accounts

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the financial year ended 31 October 2020 which give a true and fair view of the financial position of the Group.

Going Concern

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

AUDITORS' REMUNERATION

The audit committee has reviewed and ensured the independence and objectivity of the external auditors, Crowe. Details of the fees paid or payable to Crowe for the financial year ended 31 October 2020 are as follows:

	HK\$'000
2020 annual audit	1,088
Non-audit related services	135
	<u>1,223</u>

RISKS MANAGEMENT AND INTERNAL CONTROLS

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

The Board confirms that it has conducted a review of the risk management and internal control system of the Group during the year ended 31 October 2020. The Group currently has no internal audit function and such review was performed by an external independent consultant engaged by the Group. The Board considers that it is more cost-effective to engage an external independent consultant instead of recruiting a team of an internal audit staff to perform such annual review function.

The Company has established a whistleblowing policy which enhances the awareness of internal corporate justice and regards this as a kind of internal control mechanism. It provides employees with reporting channels and guidance on whistleblowing about possible improprieties in any matter related to the Company. The Company treats all information received confidentially and protects the identity and the interests of all whistleblowers.

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

DISCLOSURE OF INSIDE INFORMATION

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

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

Policies relating to Shareholders

The Company has in place a Shareholders' Communication Policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company has adopted a Dividend Policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval. Such details have been disclosed in the annual report of the Company.

SHAREHOLDERS' RIGHTS

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

1. Convening an Extraordinary General Meeting by Shareholders

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

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

2. Putting Forward Proposals at General Meetings

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

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

3. Putting Forward Enquiries to the Board

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

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

Primary Contact Person

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

Name: Mr. Yuen Wai Kin, *Company Secretary*

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

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

ABOUT THIS REPORT

Gemilang International Limited (hereafter the “**Company**”) and its subsidiaries (collectively, the “**Group**” or “**we**”) are pleased to publish our fourth environmental, social and governance (“**ESG**”) report (the “**Report**”) summarising our ESG performance and initiatives. With our vision to become one of the leading bus manufacturing solution providers in Asia, we strive to embed sustainability principles into our business model for engaging our community.

Reporting Scope

The Report examines the Group’s ESG management approaches, performance on material ESG issues during the period from 1 November 2019 to 31 October 2020 (the “**Reporting Period**” or the “**Year**”) with the scope of our significant operation including the factory of Gemilang Coachwork Sdn. Bhd. in Malaysia. The scope of the Report is the same as the Report of 2018/2019.

Reporting Standard

The Report has been prepared in accordance with the “Comply or Explain” provisions of the Environmental, Social and Governance Reporting Guide under Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**HKEx ESG Reporting Guide**”). The Board has acknowledged its responsibility to oversee the Group’s sustainable development and review the truthfulness, accuracy and completeness of the Report.

Contact & Feedback

The Group believes that a strong and trustworthy relationship with our community is critical for our business sustainability. We are committed to managing the Company with the best interests of our stakeholders. Your feedback and suggestions are highly valued by the Group. If you have any comment regarding this Report, please contact us through email via irgroup@gml.com.my.

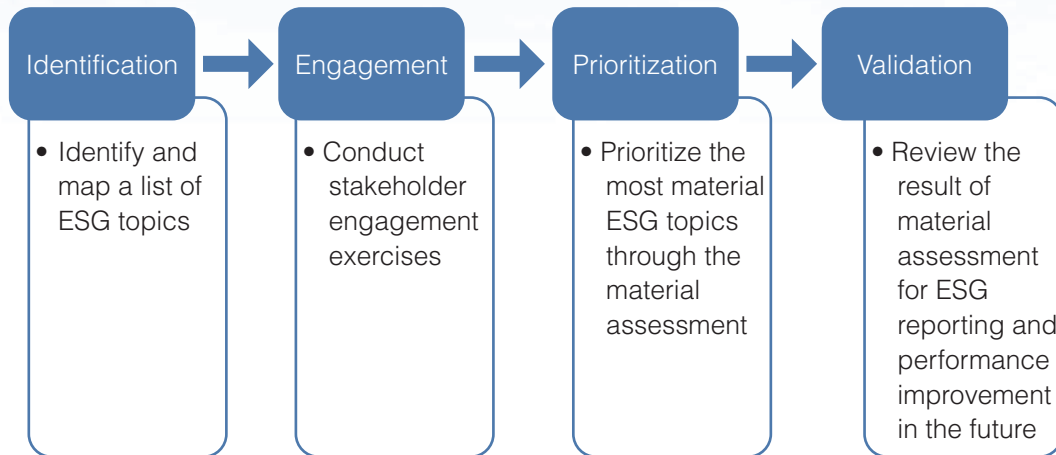


STAKEHOLDER ENGAGEMENT & MATERIALITY ASSESSMENT

The Group has been maintaining close contact with our stakeholders as we believe they play a crucial role in our sustainability journey. To better understand the needs, concerns and expectations of our stakeholders in relevance to our business operation, the Group has been maintaining regular communications with our major stakeholders through various channels. The following table summarizes our diverse communication channels with different stakeholder groups:

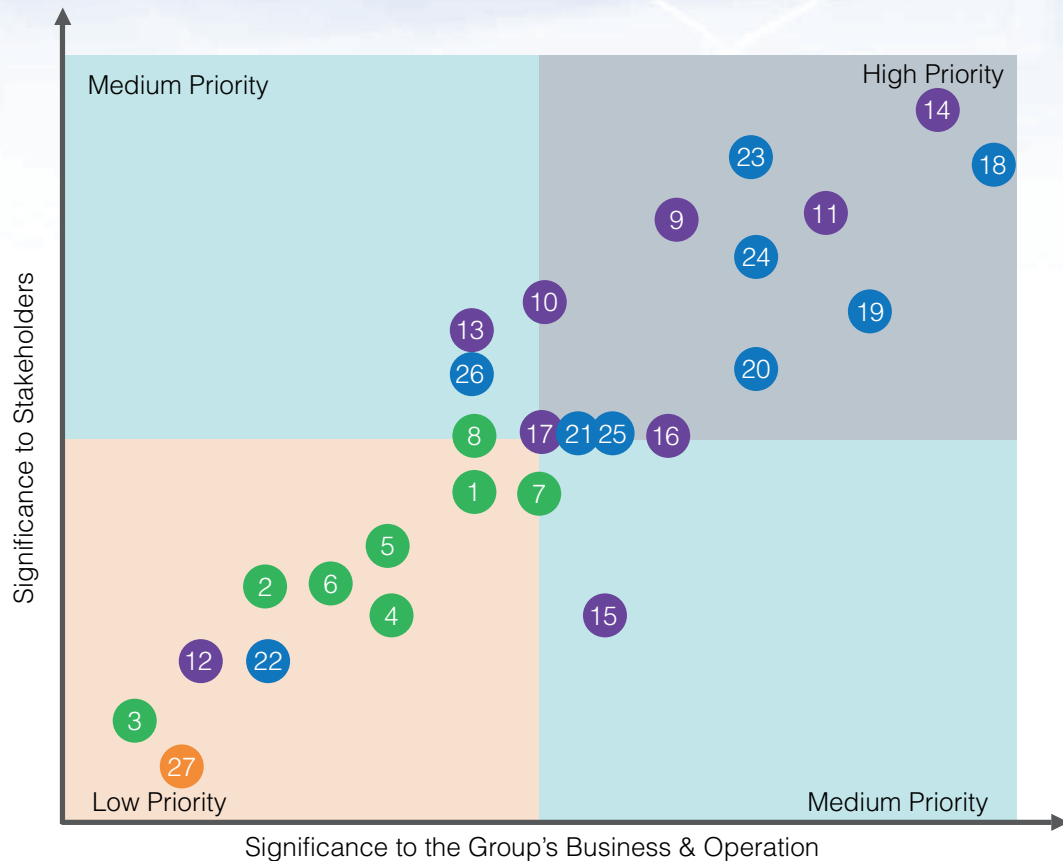
Types of stakeholder group	Communication channels
Investors and shareholders	<ul style="list-style-type: none"> • Company website • Annual and interim reports • Regular meetings
Customers	<ul style="list-style-type: none"> • Company website • Customer service channels • Customer feedback and complaints • Customer satisfaction surveys
Employees	<ul style="list-style-type: none"> • Training and orientation • Emails and opinion box • Regular meetings • Employee performance evaluation • Employee activities
Suppliers and business partners	<ul style="list-style-type: none"> • Selection assessment • Procurement process • Performance assessment • Regular communication with business partners
Government authorities and regulators	<ul style="list-style-type: none"> • Documented information submission • Compliance inspections and checks • Regular meetings/luncheons with local government representatives • Forums, conferences and workshops
Non-governmental organisations	<ul style="list-style-type: none"> • Emails • Phone calls • Charity donations and voluntary services
Communities	<ul style="list-style-type: none"> • Company website • Community activities
Media	<ul style="list-style-type: none"> • Company website • Company's announcements

In order to identify the ESG issues that are material to the Group in formulating appropriate ESG strategies and determining the direction of the Report, the Group has conducted a materiality assessment in form of an online questionnaire. Both our internal and external stakeholders (e.g. board of directors, shareholders, employees, and (suppliers) were invited to fill in the questionnaire and scores for the 27 identified ESG issues in accordance with their relevance and importance to the business operation and the stakeholders themselves respectively.



Environmental, Social and Governance Report

Based on the materiality of each of the ESG issues expressed by the stakeholders, the ESG issues are prioritized and shown in the materiality matrix below:



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

We prioritized those ESG topics into three levels: high, medium and low, for better strategic planning and resource allocation. According to the results of the materiality matrix, issues which fell in the upper right corner of the matrix were defined as the topics that matter most to the Group's business operation and our stakeholders' concerns. Going forward, the Group will continue to pursue opportunities to keep up with the evolving marketplace and optimize its ESG strategy of creating long-term values for our stakeholders.



SERVICE & PRODUCT RESPONSIBILITY

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

Product Excellence

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

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress in Malaysia and Hong Kong.

Quality Management

A quality management system which is certified to the ISO 9001 standard have been adopted. Under our management system, a Plan-Do-Act-Check cycle has been adopted to proactively drive our company to achieve continuous improvement. Periodic management reviews and audits help us effectively monitor and measure processes of meeting our internal targets. Our internal quality council, which is formed by employee representatives from all levels, is specifically in charge of formulating, maintaining and implementing our quality policies and procedures for upholding safety standards and striving for continuous quality improvement.

Supplier Management

To secure our product quality at source, we have established a comprehensive procurement system which is applicable to all sub-contractors and suppliers of raw materials, packaging materials and equipment.

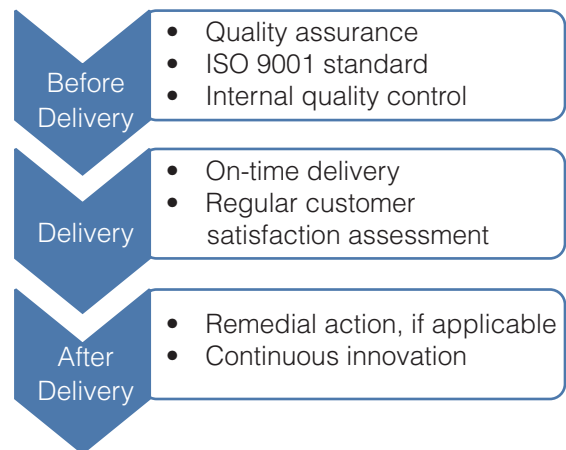
New suppliers are required to pass through our stringent assessment on areas such as product samples, price, delivery service and inspection aspects, in order to be listed on our list of approved suppliers. For existing suppliers, they are under regular supplier audits regarding their quality standard and material control, such as product rejection percentage and corrective action approach.

Customer Satisfaction The Group values customer’s opinion as we believe customer satisfaction is the key to business growth. Apart from the dedication in producing satisfactory products, after-sales service quality is what we hold in mind. A customer satisfaction survey which assesses our service and product quality is distributed to our customers for seeking their direct feedbacks. We have also established thorough procedures on handling customer complaints. Prompt actions would be taken to investigate the unsatisfactory cases and we promise to respond to the clients within a week. We would carry out remedial actions where necessary and the root cause(s) would be analysed to prevent similar cases from reoccurrence.

The 2019 coronavirus (“**COVID-19**”) outbreak leading to lockdown in many countries has put an incredible strain on transportation systems worldwide, and the operations of the Group has been adversely impacted. 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 endeavour to recover from the adverse impact brought by COVID-19.

Continuous Innovation

Standing at the cutting edge of innovation, the Group has brought together a growing talent pool of engineering and management personnel to continuously conducting research and development on technological innovation. With the dedicated management staff and highly skilled workers we have, the Group is confident to stay enthusiastic and thirsty on optimising bus design to exceed our customer expectation.



CARE FOR OUR EMPLOYEES

Employment Practices

Treating our employees as a key to our business, we place tremendous effort into maintaining a motivating, respectful and inclusive workplace. We have fixed working hours, and work overtime is not encouraged. During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, other benefits and welfare in Malaysia and Hong Kong.



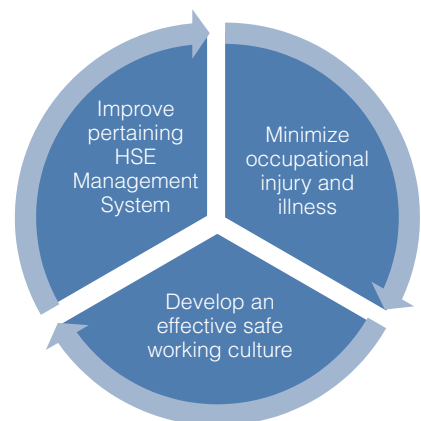
We have developed a broad range of responsible employment practices beyond the regulatory minimum requirements within the Group. Remuneration packages are periodically reviewed and adjusted with reference to trends in the labour market and staff appraisal review. Salary and/or promotion reviews are conducted 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. On top of all the statutory welfare and holidays (e.g. employees provident fund and maternity leave), our staff can also enjoy a comprehensive set of medical benefits, including insurance package and panel clinic, together with compassionate leave and maternity leave.

The employment of child and forced labour is strictly prohibited within the Group by ensuring all of our staff work consensually. There was no identified case regarding child and forced labour during the Reporting Period.

Safe & Healthy Workplace

Perceiving a safe and healthy workplace is the cornerstone of our business operation, we possess a scrupulous standard beyond a full compliance with relevant laws and regulations, including Occupational Safety and Health Act and Regulations (OSHA 1994) and Factories and Machinery Act with Regulation (FMA 1967).

We have established the Safety and Health Policy and a comprehensive Health, Safety and Environment (“HSE”) system with three key objectives: (1) to minimize occupational injury and illness, (2) to develop an effective safe working culture, and (3) to improve pertaining HSE Management System. An emergency response plan is also developed in order to let workers get prepared to unexpected conditions such as fire, explosion, oil spillage, structural damage or injury.



Our factories are equipped with sufficient protective measures with proper signs. All factory workers start their workday by attending a toolbox meeting, which is a short pre-planning talk involving identified hazards, responsibilities and safety plan in order to raise their safety awareness. On the other hand, a dedicated and qualified Safety Personnel has been appointed for managing our HSE system. Regular visits and safety inspections have also been conducted to ensure the completeness of occupational safety equipment and the effective operation of the system.

Safety training programs are required for workers who need to perform certain duties such as chemicals handling or working in confined spaces. They shall be instructed as to the nature of hazards involved, necessary precautions to be taken and the correct use of personal protective equipment and clothing. During the Reporting Period, apart from safety training, regular fire drills have been organised to enhance our workers' safety awareness.

In addition, internal safety committee meeting is held quarterly to review our safety performance through site safety inspection and reports, and to suggest improvements. Our internal safety committee is also responsible for accident reporting and investigation. Once an accident is reported, our internal safety committee will take charge of investigating the causes of the incident and recommending measures to prevent reoccurrence.

In view of COVID-19 outbreak, we have implemented hygiene measures in our workplace including:

- Social distancing at the workplace
- Temperature taking and recording before entering the Group's premises
- Use hand sanitizer provided
- Wear face mask all the time
- Disinfect entire factory before starting work
- Sanitize key areas three times a day
- Briefing matters about COVID-19 to all staff

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards in Malaysia and Hong Kong.

Equal Opportunity & Anti-Discrimination

There is zero tolerance on any kind of discriminatory behaviour, harassment or victimization within the Group. We recruit, employ, remunerate and promote our employees solely based on their qualifications, experience, skills, performance and contributions. All employees must practice equal opportunity policy in all aspects of their work, from recruitment and performance evaluation to interpersonal relations. They are encouraged to report to their managers and supervisors when offensive and disrespectful situations arise. Any forms of harassment or discrimination are regarded as severe misconduct and subject to dismissal.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to equal opportunity, diversity and anti-discrimination in Malaysia and Hong Kong.

Development & Training

Professional competency and development of our employees serve a pivotal role in our substantial business growth. We focus on competency-based training which comprises of three components – K.S.A (Knowledge, Skills and Attitude). An annual training plan is developed on a yearly basis based on staff training needs.

Keeping abreast of technological advancement, and operational and job diversification, we offer a variety of internal and external coaching programs, including logical thinking strategies, management skills, and work procedures for our competitive workers.

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. During the Reporting Period, we have arranged trainings covering topics such as ISO management system, business, english, problem solving skills, time management, leadership development, and project management etc.

Written examination, work performance observation or self-assessment is carried out to evaluate training effectiveness and promote better management of our employee development plan for continuous improvement. Besides, staff can receive regular feedback from their immediate supervisors for building up their working and development objectives by annual staff performance review.

Pleasant Workplace

We strive to foster a harmonic and work-life balance workplace culture by regularly organising a wide variety of leisure or team-building activities, ranging from annual lunch, festive celebrations, and birthday parties.



Birthday Celebration



Annual Lunch



Chinese New Year Celebration





ETHICAL BUSINESS

Business Ethics

Aligned to the Group's Core Value – Integrity, the Group is committed to conducting its businesses in strict compliance with all relevant laws and regulations, and upholding the highest ethical standards.

We work against corruption in any of its forms — including bribery, extortion and fraud. Clearly stated in the Staff Handbook and Code of Conduct, our employees are strictly prohibited to offer or accept any form of advantages such as gifts, entertainment, rewards and commission, in exchange for jobs, sales and/or work location or assignment. If such benefits cannot be refuted from our business partners including vendors, suppliers, freight forwarders, contractors and customers due to politeness, our employees are required to report to the management timely for further handling.

The Group formulates guidelines in dealing with any forms of conflict of interest in the Staff Handbook. All employees should avoid engaging in any activities which may be in conflict with the principles and interests of the Group. All the internal circulations and proprietary information are prohibited to be disclosed to any unauthorized person, and all our employees and suppliers are required to sign the non-disclosure agreement before accessing those information.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to bribery, extortion, fraud and money laundering in Malaysia and Hong Kong. There was no legal case regarding corrupt practices brought against the Group or our employees.

Confidentiality & Privacy

It is also our responsibility to safeguard confidentiality and privacy information. As stated in our Staff Handbook, all employees must maintain and observe strict secrecy in respect of the Group's activities throughout their employment. Confidential information obtained with the Group may not be used by any employee for the purpose of furthering current or future outside employment or activities or for obtaining personal gain or profit. Violation in any form will be subject to disciplinary actions up to and including dismissal.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to privacy matters of products and services in Malaysia and Hong Kong.

Community Participation

As one of the leading bus companies, not only do we recognise the indispensability of nurturing our future leaders, but also value their innovative ideas. Looking ahead, the Group will continue to look for opportunities where we can leverage our expertise in the society.



ENVIRONMENTAL SUSTAINABILITY

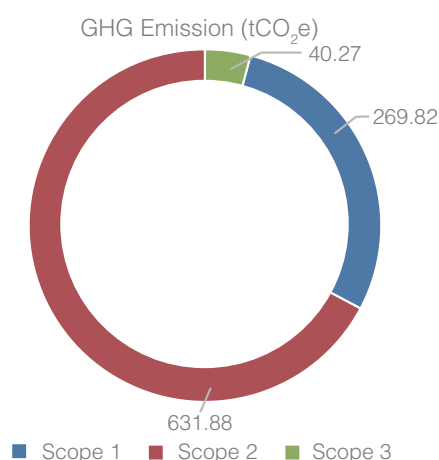
Protecting the environment is our prime concern and thus we seek every opportunity to relentlessly reinforce our operating efficiency and even beyond our business. A comprehensive set of environmental policies and supporting procedures, covering greenhouse gas (“GHG”) emission, use of resources and waste management, have been established.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, generation of waste and use of resources in Malaysia and Hong Kong, including but not limited to Environmental Quality Act 1974 of the laws of Malaysia.

Air and Greenhouse Gas Emissions

During our operation, a certain amount of air pollutants is inevitably emitted, such as dust and particulate matter. To effectively control our air emission, we start by identifying our pollutant source and enforcing corresponding mitigation measures. We keep close track on our emissions by third-party inspections in order to ensure the emission level complies with the regulatory requirements. We also work proactively with the industry and government for a better practice of vehicle emission¹.

Apart from regulating our direct air emissions from manufacturing activities, we limit our GHG emissions. Our GHG emissions mainly come from the use of purchased electricity, combustion of fuels by motor vehicles and business air travels while electricity consumption contributes the largest part. We have established policies, as explained in the section headed “Resource Management” of this Report, on conserving our energy usage. Unnecessary business air travels have also been replaced by e-conferences or other applicable means. During the Reporting Period, the Group emitted a total of 941.97 tCO₂e of GHG, with an intensity of 2.84 tCO₂e per full-time employee.



GHG Emission	Unit	2018	2019	2020
Total GHG Emission ²	tCO ₂ e	1,106.49	1,359.11	941.97
Intensity ³	tCO ₂ e/FTE	1.39	3.70	2.84

¹ Emissions from vehicles are not material within the Group and hence data is not available.

² Our recorded GHG emissions include direct (“Scope 1”), energy indirect (“Scope 2”), and other indirect (“Scope 3”) emissions generated from our core operations in 2020 – scope 1 emission consisted of the GHG emissions generated from the combustion of fuels in mobile sources owned by the Group; scope 2 emission consisted of the GHG emissions generated from the imported electricity; and scope 3 emission consisted of the GHG emissions generated from air business travel by employees.

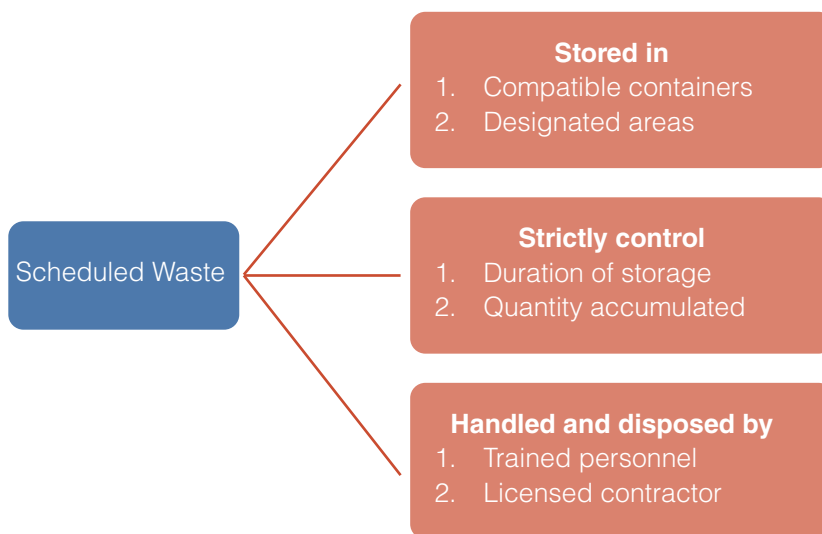
³ Intensity is calculated by dividing the sum of recorded data by the total number of the full-time employees (“FTE”) in the core operations in 2020.

Waste Management

Recognising the potential repercussion these waste could have on the environment as well as our workers' safety without proper handling, we have established the Waste Management Procedure to provide guidelines on effective waste handling. All wastes produced are separated into two main types, namely scheduled (hazardous) and non-scheduled (non-hazardous) waste.

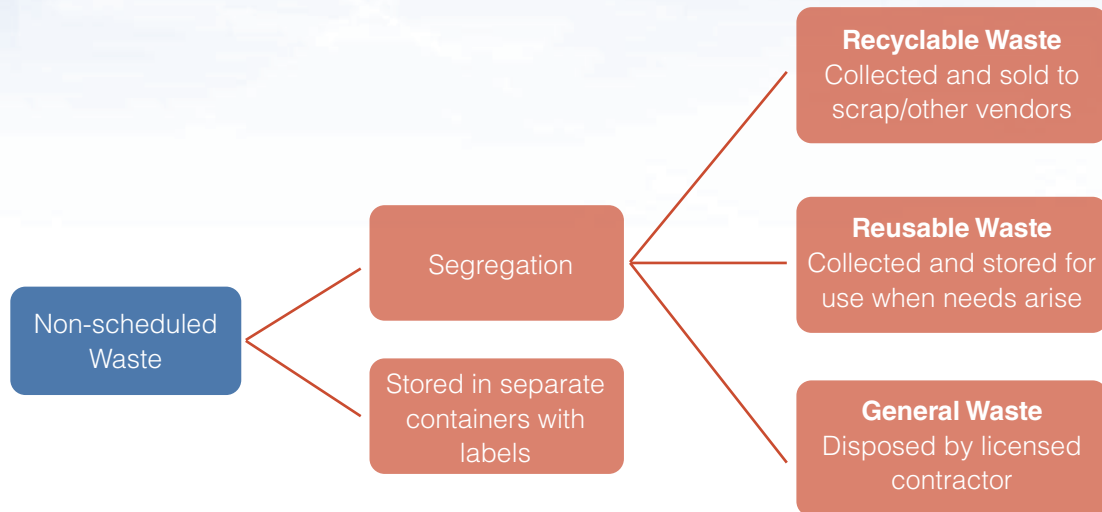
Scheduled waste, listed in Environmental Quality (Scheduled Wastes) Regulations, shall be stored in proper containers, which are fit for propose or at designated areas. For staff who are responsible for the transfer of scheduled waste, they are well-equipped with a compulsory training session in advance and necessary protective equipment such as gloves and face masks. Disposal of scheduled waste have been registered to the Department of Environment of Malaysia and licensed contractors are appointed for the collection of waste.

Total amount	Unit	2018	2019	2020
Hazardous waste produced ⁴	Tonnes	5.89	34.82	13.63
Intensity ³	Tonnes/FTE	0.007	0.09	0.04



⁴ Our recorded hazardous waste data include chemical waste, oil rags and paint. We produce insignificant amount of non-hazardous waste, such as general domestic waste, and hence data is not available.

For non-scheduled waste, we promote recycling and reusing in both our factory and office sites and strike to minimize waste which may end up in landfills. Materials, such as carton boxes, wires and metals are collected for further production process.



Resource Management

The Group endeavours to eliminate any wastage of our scarce resources. Adopting the “4Rs” (reduce, reuse, replace and recycle) principles, we are committed to sustainable operation by curtailing the use of energy, water and paper resources. Internal green office guidelines have also been established to cultivate a green culture among our employees. Measures to conserve our resources include:

Energy	<ul style="list-style-type: none"> • Turn off the lights and equipment when not in use • Make use of natural daylight as much as possible to reduce the need for energy-consuming artificial lightings • Purchase and install energy-efficient electrical appliances
Water	<ul style="list-style-type: none"> • Install dual flush toilets for water-saving • Prevent and reduce water leakage • Purchase and use high water-efficient products
Paper	<ul style="list-style-type: none"> • Encourage printing and copying on both sides of paper • Encourage using recycled paper, if necessary • Purchase and use paper that is certified to the Programme for the Endorsement of Forest Certification (“PEFC”)

The Group's recorded data on resource consumption during the Reporting Period are summarised in the table below:

Total amount	Unit	2018	2019	2020
Electricity consumed	MWh	1,298.75	1,361.39	910.49
Intensity ³	GJ	4,675.50	4,901.00	3,277.77
	MWh/FTE	1.63	3.71	2.74
Gasoline consumed	Litre	40,884.28	82,288.40	50,084.12
Intensity ³	Litre/FTE	51.35	224.22	150.86
Diesel consumed	Litre	10,313.29	5,309.28	55,709.09
Intensity ³	Litre/FTE	12.95	14.47	167.80
Water consumed ⁵	m ³	24,292.58	17,379.42	33,763.00
Intensity ³	m ³ /FTE	30.52	47.36	101.70
Paper consumed	Tonnes	0.16	1.32	3.38
Intensity ³	Tonnes/FTE	0.0002	0.0036	0.01
Packaging consumed ⁶	Tonnes	9.10	5.86	4.26
Intensity ³	Tonnes/FTE	0.011	0.02	0.01

Green Products

Apart from boosting our operational efficiency, we strive to optimize our community environment by providing people a comfortable yet environmentally-friendly bus journey. Our Gemilang Eco Range Aluminium Body is designed to be lightweight and adopting sustainable and recyclable materials. The Eco Range system has a higher scrap value attributed to the huge recyclability of sturdy aluminium. More than 70% of the bus body can be reused or recycled after its service life. In the meantime, when we run the vehicles, lighter materials will consume a smaller amount of fuel and reduce corresponding GHG emissions during the bus journey. Dedicated to revolutionize our green manufacturing process, we promise to constantly seek opportunity to further strengthen the environmental efficiency and recyclability rate of our products.



⁵ In 2020, there was no issue in souring water.

⁶ Our recorded packaging data includes carbon boxes and stretch films consumed in the core operations in 2020.

HKEX ESG REPORTING GUIDE INDEX

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect A Environmental		
A1 Emission	Information on: <ul style="list-style-type: none"> – the policies; and – compliance with relevant laws and regulations that have a significant impact on the issuer <p>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes.</p>	Environmental Sustainability – Air and Greenhouse Gas Emissions, Waste Management
KPI A1.1	The types of emissions and respective emissions data.	Environmental Sustainability – Air and Greenhouse Gas Emissions
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Sustainability – Air and Greenhouse Gas Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Sustainability – Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Sustainability – Waste Management
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Environmental Sustainability – Air and Greenhouse Gas Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Environmental Sustainability – Waste Management

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

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect B Social		
B1 Employment	Information on: <ul style="list-style-type: none"> – the policies; and – compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Care for Our Employees – Employment Practices, Equal Opportunity & Anti-Discrimination
B2 Health and Safety	Information on: <ul style="list-style-type: none"> – the policies; and – compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. 	Care for Our Employees – Safe & Healthy Workplace
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Care for Our Employees – Development & Training
B4 Labour Standard	Information on: <ul style="list-style-type: none"> – the policies; and – compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour. 	Care for Our Employees – Employment Practices
B5 Supply Chain Management	Policies on managing environmental and social risks of supply chain.	Service & Product Responsibility – Product Excellence
B6 Product Responsibility	Information on: <ul style="list-style-type: none"> – the policies; and – compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Service & Product Responsibility – Product Excellence Ethical Business – Confidentiality & Privacy
B7 Anti-corruption	Information on: <ul style="list-style-type: none"> – the policies; and – compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Ethical Business – Business Ethics
B8 Community Investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Ethical Business – Community Participation

Independent Auditor's Report



國富浩華 (香港) 會計師事務所有限公司
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GEMILANG INTERNATIONAL LIMITED

(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Gemilang International Limited (“**the Company**”) and its subsidiaries (“**the Group**”) set out on pages 76 to 162, which comprise the consolidated statement of financial position as at 31 October 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 October 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (Continued)**Revenue recognised from sales of bus bodies and kits**

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

The Key Audit Matter**How the matter was addressed in our audit**

Revenue for the year ended 31 October 2020 was material to the financial statements for the Group. Revenue from sales of bus bodies and kits is recognised at a point in time when the customer obtains control of the distinct goods. The accounting policy for revenue recognition is disclosed in Note 2(t) to the consolidated financial statements. The Group recognised revenue of approximately US\$28,598,000 from the sale of bus bodies and kits for the year ended 31 October 2020.

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

- We obtained an understanding and tested the management's key controls over the recognition of revenue from the sale of bus bodies and kits;
- We checked the terms set out in the sales and purchases agreements and assessed whether the control of the goods had been transferred to the customers by the review of delivery notes and customers' acceptance on a sample basis; and
- We tested material revenue transactions that took place close to the end of the reporting period to assess whether revenue was recognised in the correct reporting period.

KEY AUDIT MATTERS (Continued)

Provision for inventories

Refer to Note 17 to the consolidated financial statements and the accounting policies on Note 2(l) to the consolidated financial statements.

The Key Audit Matter

How the matter was addressed in our audit

As at 31 October 2020, the Group held inventories of US\$19,276,000 which were material to the financial statements of the Group. Significant judgements and estimates were required for management to assess the appropriate level of provision for these inventories. This took into account factors that included but are not limited to economic outlook, the latest purchase price of raw materials and latest selling price of bus bodies and kits.

Our audit procedures included:

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

Recoverability of trade receivables

Refer to Note 18 to the consolidated financial statements and the accounting policies on Notes 2(j)(i) and Note 2(m) to the consolidated financial statements.

The Key Audit Matter

How the matter was addressed in our audit

As at 31 October 2020, the Group recorded gross trade receivables of US\$14,751,000 and loss allowance of US\$4,308,000, which were material to the financial statements of the Group.

The Group measures loss allowance on trade receivables at amounts equal to lifetime expected credit losses. Expected credit losses ("ECL") on these financial assets are estimated using a provision matrix which involves significant management judgement in estimating the expected loss rate based on historical credit loss experience, adjusting factors that are specific to the debtors and assessment of both current and forecast general economic conditions.

We identified impairment assessment of trade receivables as a key audit matter because of the significance of the Group's trade receivables to the consolidated financial statements, combined with the significant degree of estimations made by the management in estimating ECL of trade receivables which may affect their carrying values at the end of the reporting period.

Our audit procedures included:

- We obtained an understanding of how the management assesses the ECL of trade receivables;
- We tested the mathematical accuracy of the ECL model on trade receivables prepared by the management;
- We tested whether items in the ageing report were categorised appropriately on a sample basis;
- We assessed the reasonableness of the ECL by testing the accuracy of the historical default rate and examining the reasonableness of the forward looking information used by the management; and
- We assessed the related disclosures in the consolidated financial statements with reference to the requirements of HKFRS 7.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

Crowe (HK) CPA Limited

Certified Public Accountants

Hong Kong, 29 January 2021

Lau Kwok Hung

Practising Certificate Number: P04169

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 October 2020
(Expressed in United States dollars)

	Note	2020 US\$'000	2019 US\$'000
Revenue	5	31,152	63,163
Cost of sales		(25,464)	(50,357)
Gross profit		5,688	12,806
Other revenue	6	218	134
Other net income	6	390	813
Selling and distribution expenses		(428)	(1,739)
Net allowance for impairment losses on trade receivables		(629)	(709)
General and administrative expenses		(4,119)	(4,859)
Profit from operations		1,120	6,446
Finance costs	7(a)	(432)	(785)
Share of (loss) of an associate		–	(483)
Profit before taxation	7	688	5,178
Income tax	11	(271)	(1,477)
Profit for the year attributable to the equity owners of the Company		417	3,701
Other comprehensive (loss)/income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		(87)	109
Total comprehensive income for the year attributable to equity owners of the Company		330	3,810
Earnings per share (US cents per share)	12		
– Basic		0.17	1.47
– Diluted		0.17	1.47

Note: The Group has initially applied HKFRS 16 at 1 November 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 3.

The notes on pages 82 to 162 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 October 2020
(Expressed in United States dollars)

	Note	2020 US\$'000	2019 US\$'000
Non-current assets			
Property, plant and equipment	13	7,591	7,777
Intangible assets	15	326	327
Interest in a joint venture	16	–	–
Deferred tax assets	25(b)	220	40
		8,137	8,144
Current assets			
Inventories	17	19,276	18,040
Trade and other receivables	18	11,505	13,485
Tax recoverable	25(a)	33	–
Pledged bank deposits	20	3,235	3,300
Cash and bank balances	21	1,929	3,830
		35,978	38,655
Current liabilities			
Trade and other payables	22	6,431	11,657
Contract liabilities	19	5,791	4,839
Bank borrowings	23	9,059	8,564
Bank overdrafts	21, 23	2,561	1,546
Lease liabilities	24	305	62
Provision for taxation	25(a)	–	481
		24,147	27,149
Net current assets		11,831	11,506
Total assets less current liabilities		19,968	19,650

Consolidated Statement of Financial Position

As at 31 October 2020
(Expressed in United States dollars)

	Note	2020 US\$'000	2019 US\$'000
Non-current liability			
Lease liabilities	24	48	60
		48	60
Net assets			
		19,920	19,590
Capital and reserves			
	28		
Share capital		324	324
Reserves		19,596	19,266
Total equity attributable to owners of the Company		19,920	19,590

Approved and authorised for issue by the board of directors on 29 January 2021.

Pang Chong Yong
Director

Huan Yean San
Director

Note: The Group has initially applied HKFRS 16 at 1 November 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 3.

The notes on pages 82 to 162 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 October 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
At 1 November 2018	324	10,165	679	(446)	260	5,917	16,899
Impact on initial application of HKFRS 9	-	-	-	-	-	(211)	(211)
Adjusted balance at 1 November 2018	324	10,165	679	(446)	260	5,706	16,688
Changes in equity for 2018/2019:							
Profit for the year	-	-	-	-	-	3,701	3,701
Other comprehensive income for the year							
Exchange differences on translation of financial statements of foreign operations	-	-	-	109	-	-	109
Total comprehensive income for the year	-	-	-	109	-	3,701	3,810
Exercise of share options (Note 26)	-	86	-	-	(22)	-	64
Lapse of share options (Note 26)	-	-	-	-	(15)	15	-
Dividend paid (Note 10)	-	(972)	-	-	-	-	(972)
At 31 October 2019	<u>324</u>	<u>9,279*</u>	<u>679*</u>	<u>(337)*</u>	<u>223*</u>	<u>9,422*</u>	<u>19,590</u>
At 1 November 2019	<u>324</u>	<u>9,279</u>	<u>679</u>	<u>(337)</u>	<u>223</u>	<u>9,422</u>	<u>19,590</u>
Changes in equity for 2019/2020:							
Profit for the year	-	-	-	-	-	417	417
Other comprehensive loss for the year							
Exchange differences on translation of financial statements of foreign operations	-	-	-	(87)	-	-	(87)
Total comprehensive income for the year	-	-	-	(87)	-	417	330
Lapse of share options (Note 26)	-	-	-	-	(11)	11	-
At 31 October 2020	<u>324</u>	<u>9,279*</u>	<u>679*</u>	<u>(424)*</u>	<u>212*</u>	<u>9,850*</u>	<u>19,920</u>

* These reserve accounts comprise consolidated reserves of approximately US\$19,596,000 (2019: US\$19,266,000) in the 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, the comparative information is not restated. See Note 3.

The notes on pages 82 to 162 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 October 2020
(Expressed in United States dollars)

	Note	2020 US\$'000	2019 US\$'000
Operating activities			
Profit before taxation		688	5,178
Adjustments for:			
Net allowance for impairment losses on trade receivables	7(c)	629	709
Provision for writedown of inventories		276	592
Depreciation	7(c)	850	556
Share of loss of an associate		–	483
Loss on disposal of an associate	7(c)	–	12
Unrealised (gain) on foreign exchange		(184)	(116)
Interest expenses	7(a)	432	785
Interest income	6	(103)	(114)
Operating cash flows before movements in working capital		2,588	8,085
(Increase) in inventories		(1,565)	(686)
Decrease/(increase) in trade and other receivables		1,445	(2,084)
(Decrease) in trade and other payables		(5,117)	(2,552)
Increase in contract liabilities		957	1,372
Cash (used in)/generated from operations		(1,692)	4,135
Income tax paid		(947)	(97)
Net cash (used in)/generated from operating activities		(2,639)	4,038
Investing activities			
Interest received		103	114
Proceeds from disposal of an associate		–	50
Payments for purchase of property, plant and equipment		(72)	(100)
Net cash generated from investing activities		31	64

Consolidated Statement of Cash Flows

For the year ended 31 October 2020
(Expressed in United States dollars)

	Note	2020 US\$'000	2019 US\$'000
Financing activities			
Proceeds from shares issued by the Company		–	64
Decrease/(increase) in pledged bank deposits		52	(551)
Proceeds from bank borrowings		19,628	46,889
Repayment of bank borrowings		(18,916)	(48,016)
Capital element of lease rentals paid		(397)	(73)
Interest element on lease rentals paid		(29)	(7)
Interest expenses		(403)	(756)
Dividend paid		–	(972)
Net cash (used in) from financing activities		(65)	(3,422)
Net (decrease)/increase in cash and cash equivalents		(2,673)	680
Effects of foreign exchange translation		(243)	(40)
Cash and cash equivalents at beginning of the year		2,284	1,644
Cash and cash equivalents at end of the year	21	(632)	2,284

Note: The Group has initially applied HKFRS 16 at 1 November 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 3.

The notes on pages 82 to 162 form part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability. The Company's registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business in Hong Kong was located at Room 1602, 16/F, Park Commercial Centre, 180 Tung Lo Wan Road, Causeway Bay, Hong Kong and has changed to Unit 206A, 2/F, Sun Cheong Industrial Building, 2 Cheung Yee Street, Lai Chi Kok, Kowloon, Hong Kong since 12 December 2020. The principal place of business in Malaysia is located at Ptd 42326 Jalan Seelong, Mukim Senai 81400 Senai, Johor, West Malaysia.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 14. As at 31 October 2020, the directors consider that the Company is ultimately controlled by Mr. Phang Sun Wah and Mr. Pang Chong Yong (the "**Controlling Shareholders**").

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 October 2020 comprises the Company and its subsidiaries (together referred to as the "**Group**") and the Group's interest in a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

(c) Business combinations

(i) *Business combinations involving entities under common control*

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

(ii) *Business combinations involving entities not under common control*

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

For the year ended 31 October 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) New and revised HKFRSs not yet effective

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard which are not yet effective for the year ended 31 October 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

HKFRS 17	Insurance Contracts ⁷
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁶
Amendments to HKFRS 16	COVID-19-Related Rent Concessions ⁵
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ⁷
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended use ⁶
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ⁶
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ⁶

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2020

⁵ Effective for annual periods beginning on or after 1 June 2020

⁶ Effective for annual periods beginning on or after 1 January 2022

⁷ Effective for annual periods beginning on or after 1 January 2023

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Conceptual Framework for Financial Reporting 2018 (the “New Framework”) and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

(e) Subsidiaries and non-controlling interests

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

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

For the year ended 31 October 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Joint ventures

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

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

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

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

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

For the year ended 31 October 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment and depreciation

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

- interests in leasehold land and buildings where the Group is the registered owner of the property interest (see Note 2(i));
- right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and
- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see Note 2(i)).

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Intangible asset

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

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. 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.

(i) As a lessee

(A) Policy applicable from 1 November 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less 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. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

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. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

For the year ended 31 October 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Leased assets (Continued)

(i) As a lessee (Continued)

(A) Policy applicable from 1 November 2019 (Continued)

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 (see Notes 2(g) and 2(j)(ii)), except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value; and
- right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at cost in accordance with Note 2(g).

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.

The Group presents right-of-use assets that do not meet the definition of investment property in property, plant and equipment and presents lease liabilities separately in the statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Leased assets (Continued)

(i) As a lessee (Continued)

(B) Policy applicable prior to 1 November 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property was classified as investment property on a property-by-property basis and, if classified as investment property, was accounted for as if held under a finance lease; and
- land held for own use under an operating lease, the fair value of which could not be measured separately from the fair value of a building situated thereon at the inception of the lease, was accounted for as being held under a finance lease, unless the building was also clearly held under an operating lease. For these purposes, the inception of the lease was the time that the lease was first entered into by the Group, or taken over from the previous lessee.

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

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

For the year ended 31 October 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Leased assets (Continued)

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 2(t)(iii).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 2(i)(i), then the Group classifies the sub-lease as an operating lease.

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) Credit losses from financial instruments (Continued)

Measurement of ECLs

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

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

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

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

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

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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

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

For the year ended 31 October 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) Credit losses from financial instruments (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) Credit losses from financial instruments (Continued)

Basis of calculation of interest income

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

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

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

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

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

For the year ended 31 October 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(ii) Impairment of non-current assets

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

- property, plant and equipment, including right-of-use assets;
- intangible assets; and
- investments in subsidiaries in the Company's statement of financial position.

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

– *Calculation of recoverable amount*

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(k) Contract assets and contract liabilities

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

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

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

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

For the year ended 31 October 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Inventories

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

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

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

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

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

(m) Trade and other receivables

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

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

(n) Interest-bearing borrowings

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

(o) Trade and other payables

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Cash and cash equivalents

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

(q) Employee benefits

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

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

(ii) **Share-based payments**

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

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

(iii) **Termination benefits**

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

For the year ended 31 October 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Income tax

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Income tax (Continued)

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

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

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

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

(s) Provisions and contingent liabilities

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

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

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

For the year ended 31 October 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Revenue and other income

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

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

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

(i) Sale of goods

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

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

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

(iii) Rental income from operating leases

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

(iv) Interest income

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Translation of foreign currencies

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

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

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

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

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

(v) Borrowing costs

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

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

For the year ended 31 October 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

For the year ended 31 October 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Segment reporting

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

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

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

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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

Except for HKFRS 16, Leases, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard 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.

For the year ended 31 October 2020

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

HKFRS 16 “Leases” (Continued)

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

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.

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

(a) 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.

(b) Lessee accounting and transitional impact

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 which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in Note 13. For an explanation of how the Group applies lessee accounting, see Note 2(i)(i).

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

HKFRS 16 “Leases” (Continued)

(b) Lessee accounting and transitional impact (Continued)

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).

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

HKFRS 16 “Leases” (Continued)

(b) Lessee accounting and transitional impact (Continued)

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

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

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 consolidated 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.

For the year ended 31 October 2020

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

HKFRS 16 “Leases” (Continued)

(b) Lessee accounting and transitional impact (Continued)

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

	Carrying amount at 31 October 2019 <i>US\$'000</i>	Capitalisation of operating lease contracts <i>US\$'000</i>	Carry amount at 1 November 2019 <i>US\$'000</i>
Line items in consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Non-current asset			
Property, plant and equipment	7,777	636	8,413
Total non-current asset	7,777	636	8,413
Current liabilities			
Obligations under finance leases	62	(62)	–
Lease liabilities	–	386	386
Total current liabilities	62	324	386
Non-current liabilities			
Obligations under finance leases	60	(60)	–
Lease liabilities	–	372	372
Total non-current liabilities	60	312	372

For the year ended 31 October 2020

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

HKFRS 16 “Leases” (Continued)

(c) 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 consolidated statement of profit or loss and other comprehensive income, as compared to the results if HKAS 17 had been applied during the year.

In the 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 (see Note 24). 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 consolidated statement of cash flow.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Key sources of estimation uncertainty

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(a) Key sources of estimation uncertainty (Continued)

(ii) Depreciation of property, plant and equipment

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

(iii) Provision of ECL for trade receivables

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

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Note 29(a).

(iv) Net realisable value of inventories

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

For the year ended 31 October 2020

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(a) Key sources of estimation uncertainty (Continued)

(v) *Recognition of income taxes and deferred tax assets*

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

(vi) *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.

(b) Critical accounting judgements

(i) *Impairment of financial assets*

The loss allowance for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 29(a).

For the year ended 31 October 2020

5. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

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

	2020 US\$'000	2019 US\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or services		
– Sales of bus bodies and kits	28,598	60,382
– Sales of parts and provision of relevant services	2,554	2,781
	31,152	63,163

No remaining performance obligation under existing contracts has been disclosed as performance obligations under the Group's existing contracts has an original expected duration of one year or less, thus the Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts.

(b) Segment reporting

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

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

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

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For the year ended 31 October 2020

5. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

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

Information regarding the above segments is reported below.

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

For the year ended 31 October 2020

	Sales of bus bodies and kits US\$'000	Sales of parts and provision of relevant services US\$'000	Total US\$'000
Revenue from external customers recognised at a point in time	28,598	2,554	31,152
Reportable segment revenue	28,598	2,554	31,152
Reportable segment profit	1,937	350	2,287
Unallocated head office and corporate expenses:			
– Other expenses			(1,775)
Other revenue			218
Other net income			390
Finance costs			(432)
Profit before income tax			688
Other segment information			
Depreciation	850	–	850
Net allowances for impairment losses on trade receivables	558	71	629
Provision for writedown of inventories	276	–	276

For the year ended 31 October 2020

5. REVENUE AND SEGMENT REPORTING (Continued)**(b) Segment reporting** (Continued)**For the year ended 31 October 2019**

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

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For the year ended 31 October 2020

5. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Geographical information

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

	Revenues from external customers	
	2020	2019
	US\$'000	US\$'000
Malaysia (place of domicile)	2,910	110
Singapore	20,603	28,726
Australia	2,048	7,459
Hong Kong	994	8,808
Uzbekistan	395	318
United Arab Emirates	3,190	16,196
Others	1,012	1,546
	31,152	63,163

	Non-current assets	
	2020	2019
	US\$'000	US\$'000
Malaysia	7,914	8,104
Hong Kong	3	–
	7,917	8,104

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

For the year ended 31 October 2020

5. REVENUE AND SEGMENT REPORTING (Continued)**(b) Segment reporting** (Continued)**Information about major customers**

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

	2020 US\$'000	2019 US\$'000
Customer A	17,522	25,671
Customer B	3,189	16,196
Customer C	N/A*	8,785
	20,711	50,652

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

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

6. OTHER REVENUE AND OTHER NET INCOME

	2020 US\$'000	2019 US\$'000
Other revenue		
Bank interest income	103	114
Total interest income on financial assets measured at amortised cost	103	114
Rental income	–	5
Others	115	15
	218	134
Other net income		
Net foreign exchange gain	390	825
Loss on disposal of an associate	–	(12)
	390	813

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

7. PROFIT BEFORE TAXATION

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

(a) Finance costs

	2020 US\$'000	2019 US\$'000
Interest on bank borrowings (Note 21)	403	778
Interest on lease liabilities (Note 21)	29	7
Total interest expenses on financial liabilities not at fair value through profit or loss	432	785

Note: The Group has initially applied HKFRS 16 at 1 November 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 3.

(b) Staff costs (including directors' emoluments)

	2020 US\$'000	2019 US\$'000
Salaries, wages and other benefits	2,924	3,470
Contributions to defined contribution retirement plans	300	411
	3,224	3,881

For the year ended 31 October 2020

7. PROFIT BEFORE TAXATION (Continued)**(c) Other items**

	2020 US\$'000	2019 US\$'000
Net allowance for impairment losses on trade receivables	629	709
Auditors' remuneration	140	162
Cost of inventories* (Note 17)	25,464	50,357
Depreciation (Note 13)		
– Owned property, plant and equipment (note (i))	474	556
– right-of-use assets (note (i))	376	–
Net foreign exchange (gain)	(398)	(825)
Loss on disposal of an associate	–	12
Total minimum lease payments for lease previously classified as operating leases under HKAS 17 (note (i))		
– properties	–	560
– equipment	–	17
Expenses relating to short-term lease	206	–

* Cost of inventories includes approximately US\$1,392,000 (2019: US\$1,350,000) relating to staff costs and depreciation charges, which amount is also included in the respective total amounts disclosed separately above or in the Note 7(b) for each of these types of expenses, and provision of slow-moving inventory of approximately US\$276,000 (2019: US\$592,000).

Note (i):

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 November 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 November 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See Note 3.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

8. DIRECTORS' EMOLUMENTS

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

Year ended 31 October 2020

	Directors' fees US\$'000	Salaries, allowances and benefits in kind US\$'000	Contribution to defined contribution plan US\$'000	Total US\$'000
Executive directors				
Mr. Phang Sun Wah (<i>Chairman</i>) (<i>Note (iii)</i>)	15	420	65	500
Mr. Pang Chong Yong (<i>Chief executive</i>)	15	420	57	492
Ms. Phang Huey Shyan (<i>Note (iv)</i>)	15	132	20	167
Independent non-executive directors				
Ms. Lee Kit Ying	39	–	–	39
Ms. Wong Hiu Ping	15	–	–	15
Ms. Kwok Yuen Shan Rosetta	15	–	–	15
Mr. Huan Yean San	15	–	–	15
	129	972	142	1,243

For the year ended 31 October 2020

8. DIRECTORS' EMOLUMENTS (Continued)

Year ended 31 October 2019

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

Notes:

- (i) The remuneration shown above included remuneration received from the Group by the directors in their capacity as employees of the subsidiaries during the years ended 31 October 2020 and 2019.
- (ii) No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 October 2020 (2019: Nil). No director waived or agreed to waive any emoluments during the year ended 31 October 2020 (2019: Nil).
- (iii) Mr. Phang Sun Wah resigned as an executive director of the Company and ceased to act as the Chairman of the board on 11 January 2021.
- (iv) Ms. Phang Huey Shyan resigned as an executive director of the Company on 8 December 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2019: three) are directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other two (2019: two) individuals are as follows:

	2020 US\$'000	2019 <i>US\$'000</i>
Salaries and other emoluments	219	296
Contributions to retirement benefits scheme	45	37
	264	333

The emoluments of two (2019: two) individuals with the highest emoluments are within the following bands:

	2020 Number of individuals	2019 Number of individuals
HK\$Nil to HK\$1,000,000 (Equivalent to US\$Nil to US\$128,866)	1	1
HK\$1,500,001 to HK\$2,000,000 (Equivalent to US\$193,299 to US\$257,732)	1	1
	2	2

No emoluments were paid or payable by the Group to these employees as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 October 2020 (2019: Nil).

For the year ended 31 October 2020

10. DIVIDENDS**Dividends payable to owners of the Company attributable to the year**

	2020 US\$'000	2019 <i>US\$'000</i>
Interim dividend of HK\$Nil per ordinary share (2019: HK\$0.03 per ordinary share)	–	972
Special dividend proposed after the end of the reporting period of HK\$0.04 per ordinary share	1,296	–
Final dividend proposed after the end of the reporting period of HK\$0.01 per ordinary share (2019: HK\$0.05 per ordinary share)	324	1,620
	1,620	2,592

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

The proposed final dividend for the year 31 October 2019 was vetoed by the Company's shareholders at the annual general meeting held on 24 March 2020.

For the year ended 31 October 2020

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

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

	2020 US\$'000	2019 US\$'000
Current tax		
Charge for the year	470	1,562
Overprovision in respect of prior years	(21)	–
Deferred tax (Note 25(b))		
Origination and reversal of temporary differences	(178)	(85)
Income tax expense for the year	<u>271</u>	<u>1,477</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (ii) Hong Kong profits tax rate is 16.5% for the year ended 31 October 2020 (2019: 16.5%). The Group is not subject to Hong Kong profits tax as it has no assessable income arising in and derived from Hong Kong for the years ended 31 October 2020 and 2019.
- (iii) PRC subsidiaries are subject to The People's Republic of China ("PRC") Enterprise Income Tax ("EIT") at rate of 25% (2019: 25%). The PRC subsidiaries are not subject to PRC EIT as they did not commence business during the years ended 31 October 2020 and 2019.
- (iv) GML Coach Technology Pte. Limited, a wholly-owned subsidiary of the Company is subject to Singapore statutory income tax rate of 17% (2019: 17%).
- (v) Gemilang Coachwork Sdn. Bhd., a wholly-owned subsidiary of the Company is subject to Malaysia statutory income tax rate of 24% (2019: 24%).

For the year ended 31 October 2020

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

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

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Profit before taxation	688	5,178
Notional tax on profit before taxation, calculated at the rates applicable to the profit in the countries concerned	317	1,360
Tax effect of non-deductible expenses	207	391
Tax effect on non-taxable income	(272)	(205)
Overprovision in respect of prior years	(21)	–
Others	40	(69)
	271	1,477

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

12. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of approximately US\$417,000 (2019: US\$3,701,000) and the weighted average number of approximately 251,364,000 ordinary shares (2019: 251,211,000 ordinary shares) in issue during the year ended 31 October 2020. There is no issuance or cancellation of share during the year ended 31 October 2020. The weighted average number of ordinary shares in issue during the year ended 31 October 2019 is determined by (1) the issued ordinary shares at 1 November 2018 of 251,080,000 shares and (2) effect of issue of shares under the Company's share option scheme of 131,000 shares.

(b) Diluted earnings per share

For the year ended 31 October 2020, diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all the Company's outstanding share options.

	2020 US\$'000	2019 US\$'000
Profit attributable to owners of the Company	417	3,701
	2020 '000	2019 '000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	251,364	251,211
Effect of dilutive potential ordinary shares: Share options (<i>Note 26</i>)	—	35
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	251,364	251,246
Diluted earnings per share (US cent)	0.17	1.47

For the year ended 31 October 2020, the calculation of diluted earning per share 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 price of the Company's shares during the year. For the year ended 31 October 2019, the calculation of diluted earnings per share is based on the profit for the year of approximately US\$3,701,000 and the weighted average number of approximately 251,246,000 ordinary shares.

For the year ended 31 October 2020

13. PROPERTY, PLANT AND EQUIPMENT**(a) Reconciliation of carrying amount**

	Freehold land US\$'000	Buildings US\$'000	Other properties lease for own use US\$'000	Plant and machinery US\$'000	Tools and equipment US\$'000	Motor vehicles US\$'000	Furniture, fittings and office equipment US\$'000	Total US\$'000
Cost:								
At 1 November 2018	1,838	5,175	–	1,282	435	871	1,308	10,909
Additions	–	–	–	28	4	71	45	148
Disposal/written off	–	–	–	–	–	(25)	–	(25)
Exchange realignment	22	61	–	15	5	11	17	131
At 31 October 2019	1,860	5,236	–	1,325	444	928	1,370	11,163
At 1 November 2019	1,860	5,236	–	1,325	444	928	1,370	11,163
Impact on initial application of HKFRS 16 (Note)	–	–	636	–	–	–	–	636
At 1 November 2019	1,860	5,236	636	1,325	444	928	1,370	11,799
Additions	–	–	–	–	–	–	72	72
Exchange realignment	(7)	(21)	(3)	(5)	(2)	(7)	(4)	(49)
At 31 October 2020	1,853	5,215	633	1,320	442	921	1,438	11,822
Accumulated depreciation:								
At 1 November 2018	–	748	–	845	178	555	489	2,815
Depreciation for the year	–	101	–	70	43	150	192	556
Disposal/written off	–	–	–	–	–	(25)	–	(25)
Exchange realignment	–	10	–	11	3	8	8	40
At 31 October 2019	–	859	–	926	224	688	689	3,386
At 1 November 2019	–	859	–	926	224	688	689	3,386
Depreciation for the year	–	102	326	75	45	99	203	850
Exchange realignment	–	(2)	3	(2)	–	(4)	–	(5)
At 31 October 2020	–	959	329	999	269	783	892	4,231
Carrying amount:								
At 31 October 2020	1,853	4,256	304	321	173	138	546	7,591
At 31 October 2019	1,860	4,377	–	399	220	240	681	7,777

Notes to the Consolidated Financial Statements

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13. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Reconciliation of carrying amount (Continued)

As at 31 October 2019, the carrying amount of motor vehicles held under finance leases were US\$138,000.

Note: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 November 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. See Note 3.

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	31/10/2020 US\$'000	1/11/2019 US\$'000 (Note)
Other properties leased for own use, carried at depreciated cost	304	636
Motor vehicles, carried at depreciated cost	56	138
	360	774

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020 US\$'000	2019 US\$'000 (Note)
Depreciation charge of right-of-use assets by class of underlying asset:		
Other properties leased for own use	326	–
Motor vehicles	50	–
	376	–
Interest on lease liabilities (Note 7(a))	29	7
Expense relating to short-term leases and other leases with remaining lease term ended on or before 31 October 2020 (Note 7(c))	206	–
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	–	577

For the year ended 31 October 2020

13. PROPERTY, PLANT AND EQUIPMENT (Continued)**(b) Right-of-use assets** (Continued)

Note:

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 November 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 November 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See Note 3.

The total cash outflow for leases during the year 31 October 2020 was US\$426,000.

The maturity analysis of lease liabilities is set out in Note 24.

(i) Other properties leased for own use

The Group has obtained the right to use other properties as its factory and office premises through tenancy agreements. The leases typically run for an initial period of 1 to 3 years.

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities. The potential exposure to these future lease payments is summarised below:

	Lease liabilities recognised (discounted) US\$'000	Potential future lease payments under extension options not included in lease liabilities (undiscounted) US\$'000
Premises – Malaysia	350	575

(ii) Other leases

The Group leases car parks, staff quarters and office equipment under leases expiring from 1 to 2 years. Some leases include an option to renew the lease when all terms are renegotiated, while some include an option to purchase the leased equipment at the end of the lease term at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

Notes to the Consolidated Financial Statements

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13. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) The carrying amount of assets pledged to secure certain banking facilities granted to the Group (Note 23) was as follow:

	2020 US\$'000	2019 US\$'000
Freehold land	1,853	1,860
Buildings	4,256	4,377
	6,109	6,237

14. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 October 2020:

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

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

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

15. INTANGIBLE ASSETS

	<i>US\$'000</i>
Cost:	
At 1 November 2018	323
Exchange realignment	4
	<hr/>
At 31 October 2019	327
	<hr/>
At 1 November 2019	327
Exchange realignment	(1)
	<hr/>
At 31 October 2020	326
	<hr/>

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

For the purposes of impairment testing, the respective recoverable amounts at year end of the cash-generating unit relating to sales of buses bodies business to which these certifications are allocated, using a value in use calculation, exceed the carrying amounts. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period and a discount rate of 12.18% (2019: 15.75%). Cash flows beyond that five-year period have been extrapolated using a steady 3% (2019: 3%) growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the cash-generating unit operates. Accordingly, the directors determined that there was no impairment in value of the certifications as at 31 October 2020 and 2019.

Notes to the Consolidated Financial Statements

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16. INTEREST IN A JOINT VENTURE

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

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

上海北鋁 is an unlisted corporate entity incorporated during the year ended 31 October 2019. Up to the date of this report, the Group has not completed the capital contribution. Please refer to Note 30 for details of the amount of capital commitment.

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

17. INVENTORIES

	2020 US\$'000	2019 US\$'000
Raw material	9,021	9,390
Work-in-progress	6,592	6,634
Finished goods	3,313	1,228
Goods in transit	350	788
	19,276	18,040

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

	2020 US\$'000	2019 US\$'000
Carrying amount of inventories sold	25,188	49,765
Provision for writedown of inventories	276	592
	25,464	50,357

For the year ended 31 October 2020

18. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	2020 US\$'000	2019 US\$'000
Trade receivables		14,751	16,153
Less: allowance for impairment losses (Note 29(a))		(4,308)	(3,684)
		10,443	12,469
Deposits, prepayments and other receivable		1,062	1,016
	(i)	11,505	13,485

Notes:

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

Ageing analysis of trade receivables

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

	2020 US\$'000	2019 US\$'000
Within 30 days	5,728	7,463
31 to 90 days	1,860	3,849
Over 90 days	2,855	1,157
	10,443	12,469

Trade receivables are generally due within 30 days from the date of billing. Further details on the Group's credit policy and credit risk coming from trade receivables are set out in Note 29(a).

Notes to the Consolidated Financial Statements

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19. CONTRACT LIABILITIES

	Note	2020 US\$'000	2019 US\$'000
Contract liabilities			
Deposits received in advance of performance		5,791	4,839

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

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

Movements in contract liabilities

	2020 US\$'000	2019 US\$'000
Balance at beginning of the year	4,839	3,411
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(4,772)	(3,396)
Increase in contract liabilities as a result of billing in advance of manufacturing activities	5,724	4,824
Balance at end of the year	5,791	4,839

For the year ended 31 October 2020

20. PLEDGED BANK DEPOSITS

	2020 US\$'000	2019 US\$'000
Pledged bank deposits	3,235	3,300

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

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

	2020	2019
Pledged bank deposits	2.96%	3.18%

Notes to the Consolidated Financial Statements

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21. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprises:

	2020 US\$'000	2019 US\$'000
Cash and bank balances	1,929	3,830
Less: Bank overdrafts (Note 23)	(2,561)	(1,546)
Cash and cash equivalents in the consolidated statement of cash flows	(632)	2,284

(b) Reconciliation of liabilities arising from financing activities

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

For the year ended 31 October 2020

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

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

	Bank borrowings US\$'000	Lease liabilities US\$'000	Dividend payable US\$'000	Interest payables US\$'000	Total US\$'000
At 31 October 2019	8,564	122	–	57	8,743
Impact on initial application of HKFRS 16 (Note)	–	636	–	–	636
At 1 November 2019	8,564	758	–	57	9,379
Non-cash – interest cost	–	29	–	403	432
Non-cash – currency translation difference	(217)	(8)	–	–	(225)
Cash flow – financing activities	712	(426)	–	(403)	(117)
At 31 October 2020	9,059	353	–	57	9,469

Note: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 November 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. See Note 3.

Notes to the Consolidated Financial Statements

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22. TRADE AND OTHER PAYABLES

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Trade payables	5,216	7,668
Other payables and accruals	1,215	3,989
	6,431	11,657

Ageing analysis of trade payables

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

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Within 30 days	4,831	1,758
31 to 90 days	241	3,683
Over 90 days	144	2,227
	5,216	7,668

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

For the year ended 31 October 2020

23. BANK OVERDRAFTS AND BORROWINGS

	2020 US\$'000	2019 US\$'000
Bank overdrafts (Note 21)	2,561	1,546
Bank borrowings	9,059	8,564
	11,620	10,110

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

	2020 US\$'000	2019 US\$'000
Current liabilities		
Portion of bank overdrafts and borrowings which contain a repayment on demand clause		
Due for repayment within 1 year	11,620	10,052
Due for repayment after 1 year	–	58
Total	11,620	10,110

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

	2020 US\$'000	2019 US\$'000
Portion of bank overdrafts and borrowings due for repayment within 1 year*	11,620	10,052
Bank borrowings due for repayment after 1 year*		
After 1 year but within 2 years	–	47
After 2 years but within 5 years	–	11
	–	58
	11,620	10,110

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

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23. BANK OVERDRAFTS AND BORROWINGS (Continued)

Analysis of bank overdrafts and borrowings:

	Notes	2020 US\$'000	2019 US\$'000
Secured	(i), (ii), (iv), (v)	11,620	6,665
Unsecured	(iii), (iv)	–	3,445
		11,620	10,110

At 31 October 2020, the carrying amounts of the bank overdrafts and borrowings were denominated in the following currencies:

	2020 US\$'000	2019 US\$'000
Malaysian Ringgit	11,620	10,110

At 31 October 2020, the Group had aggregate banking facilities of approximately US\$38,308,000 (2019: US\$24,244,000) for loans and borrowings. Unused facilities as at the same date amounted to approximately US\$26,688,000 (2019: US\$14,134,000).

Notes:

- (i) Legal charges over freehold land and buildings of the Group (Note 13);
- (ii) Deposits with licensed banks of the Group (Note 20);
- (iii) Legal charge over a land held by a related company of the Group for the bank borrowings as at 31 October 2019 (Note 32(c)(iii)). The related company is controlled by the Controlling Shareholders;
- (iv) As at 31 October 2019, joint and several guarantees given by directors of the Company which were released during the year ended 31 October 2020 (Note 32(c)(ii)); and
- (v) Execution of Deed of Assignment of benefits of contract proceeds and power of attorney by certain customers in respect of contract financed by the bank.

For the year ended 31 October 2020

24. LEASES LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and the date of transition to HKFRS 16:

	Present		Present		Present	
	value of the	Total	value of the	Total	value of the	Total
	minimum	minimum	minimum	minimum	minimum	minimum
	lease	lease	lease	lease	lease	lease
	payments	payments	payments	payments	payments	payments
	31 October 2020		1 November 2019		31 October 2019	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Within 1 year	305	316	386	416	62	66
After 1 year but within 2 years	34	35	323	335	35	37
After 2 years but within 5 years	14	15	49	50	25	26
	48	50	372	385	60	63
	353	366	758	801	122	129
Less: total future interest expenses		(13)		(43)		(7)
Present value of lease liabilities		353		758		122

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 November 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 October 2019 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to HKFRS 16 are set out in Note 3.

25. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2020	2019
	US\$'000	US\$'000
Income tax receivable	33	–
Income tax payable	–	(481)
	33	(481)

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

(b) Deferred tax assets and liabilities recognised:

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

	Depreciation allowances in excess of depreciation US\$'000	Credit loss allowance US\$'000	Provision for writedown of inventories US\$'000	Unrealised foreign exchange gain US\$'000	Unrealised export allowance/others US\$'000	Tax losses US\$'000	Total US\$'000
At 1 November 2018	192	(78)	-	17	(4)	(81)	46
Charge/(credit) to profit or loss (Note 11(a))	125	(140)	(142)	(10)	1	81	(85)
Exchange realignment	4	(4)	(2)	-	1	-	(1)
At 31 October 2019	321	(222)	(144)	7	(2)	-	(40)
At 1 November 2019	321	(222)	(144)	7	(2)	-	(40)
Charge/(credit) to profit or loss (Note 11(a))	(15)	(134)	(67)	36	2	-	(178)
Exchange realignment	(5)	1	-	2	-	-	(2)
At 31 October 2020	301	(355)	(211)	45	-	-	(220)

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

	2020 US\$'000	2019 US\$'000
Deferred tax assets	220	40

(c) Deferred tax assets and liabilities not recognised:

There were no material unrecognised deferred tax assets and liabilities as at 31 October 2020 and 2019.

26. SHARE OPTION SCHEME

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

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

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

A total of 5,000,000 share options (each share option will entitle the holder of the share option to subscribe for one new ordinary share of HK\$0.01 each) were granted on 26 January 2017 under the Scheme and 2,794,000 share options remained outstanding as at 31 October 2020. The closing price of the shares of the Company at the date of grant of share options was HK\$1.74. The option’s fair value of approximately US\$379,000 was measured at grant date using the Binomial Option Pricing Model.

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26. SHARE OPTION SCHEME (Continued)

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

2020

Date of grant	At 1 November 2019	Lapsed during the year	Exercised during the year	Outstanding and exercisable at the end of the year	Exercise price HK\$	Vesting date	Exercisable period
Granted to directors							
26 January 2017	750,000	-	-	750,000	1,764	Immediately vested	Within 5 years from grant date
Granted to employees							
26 January 2017	2,192,000	(148,000)	-	2,044,000	1,764	Immediately vested	Within 5 years from grant date
	<u>2,942,000</u>	<u>(148,000)</u>	<u>-</u>	<u>2,794,000</u>			
Weighted average exercise price (HK\$)	<u>1,764</u>	<u>1,764</u>	<u>1,764</u>	<u>1,764</u>			

2019

Date of grant	At 1 November 2018	Lapsed during the year	Exercised during the year	Outstanding and exercisable at the end of the year	Exercise price HK\$	Vesting date	Exercisable period
Granted to directors							
26 January 2017	750,000	-	-	750,000	1,764	Immediately vested	Within 5 years from grant date
Granted to employees							
26 January 2017	2,678,000	(202,000)	(284,000)	2,192,000	1,764	Immediately vested	Within 5 years from grant date
	<u>3,428,000</u>	<u>(202,000)</u>	<u>(284,000)</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>			

No share option was exercised during the year ended 31 October 2020. In 2019, the weighted average share price at the date of exercise for shares options exercised during the year ended 31 October 2019 was HK\$1.90. The weighted average remaining contractual life of the share options outstanding at 31 October 2020 was approximately 1.25 years (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.

For the year ended 31 October 2020

27. EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plan

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

The employees of the Group’s subsidiary in Malaysia are required to participate in a statutory Employees Provident Fund. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 4-13% (2019: 6-13%) of the relevant payroll costs to the scheme, which contribution is matched by employees.

The employees of the Group’s subsidiary which operate in Singapore are required to participate in the Central Provident Fund operated by the local government. This Singapore subsidiary is required to contribute 7.5% to 17% (2019: 7.5% to 17%) of its basic payroll costs to the fund.

The total expense recognised in profits or loss of approximately US\$300,000 (2019: US\$411,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans (Note 7(b)).

28. CAPITAL AND RESERVES

(a) Movement in components of equity

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

(b) Share capital

Ordinary shares of HK\$0.01 each

Authorised:

	No. of shares	Amount US\$’000
At 1 November 2018, 31 October 2019, 1 November 2019 and 31 October 2020	2,000,000,000	2,581

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28. CAPITAL AND RESERVES (Continued)

(b) Share capital (Continued)

Issued and fully paid:

	No. of shares	Amount US\$'000
At 1 November 2018	251,080,000	324
Issuance of new shares upon exercising of share option (Note 26)	<u>284,000</u>	<u>–</u>
At 31 October 2019, 1 November 2019 and 31 October 2020	<u>251,364,000</u>	<u>324</u>

(c) Share premium

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

(d) Merger reserve

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

(e) Exchange reserve

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

(f) Share option reserve

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

(g) Distributability of reserve

As at 31 October 2020, the aggregate amount of reserves available for distribution to equity shareholders of the Company was US\$15,836,000 (2019: US\$14,926,000).

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28. CAPITAL AND RESERVES (Continued)**(h) Capital management**

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, or sell assets to reduce debt. No changes in the objective, policies or processes for managing capital were made during the year ended 31 October 2020.

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

The Group monitors capital using, inter alia, a gearing ratio which is net debt divided by total equity. Net debt includes bank overdrafts, interest-bearing bank borrowings and lease liabilities, less cash and bank balances. The gearing ratio as at 31 October 2020 and 2019 is as follows:

	2020 US\$'000	2019 US\$'000
Lease liabilities	353	122
Bank borrowings	9,059	8,564
Bank overdrafts	2,561	1,546
	11,973	10,232
Less: Cash and bank balances	1,929	3,830
Net debt	10,044	6,402
Total equity	19,920	19,590
Net debt-to-equity ratio	50%	33%

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29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

The Group has classified the financial instruments as follows:

	2020 US\$'000	2019 <i>US\$'000</i>
<u>Financial assets</u>		
Financial assets at amortised cost	16,482	19,826
	2020 US\$'000	2019 <i>US\$'000</i>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost	18,404	21,889

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

(a) Credit risk

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

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

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

(a) Credit risk (Continued)

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 October 2020 and 2019, 36% and 72% of the trade receivables respectively, were due from the Group's largest debtor; and 82% and 95% of the trade receivables respectively, were due from the Group's five largest debtors.

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

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

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

	2020		
	Expected loss rate %	Gross carrying amount US\$'000	Loss allowance US\$'000
Current (not past due)	3.4%	5,812	(200)
Less than 90 days past due	2.9%	3,817	(110)
91-180 days past due	13.5%	431	(58)
181-365 days past due	22.4%	968	(217)
More than 365 days past due	100%	3,723	(3,723)
		14,751	(4,308)

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

(a) Credit risk (Continued)

Trade receivables (Continued)

	2019		
	Expected loss rate %	Gross carrying amount US\$'000	Loss allowance US\$'000
Current (not past due)	0.6%	7,438	(48)
Less than 90 days past due	1.6%	4,129	(66)
91-180 days past due	3.6%	667	(24)
181-365 days past due	20.8%	471	(98)
More than 365 days past due	100%	3,448	(3,448)
		<u>16,153</u>	<u>(3,684)</u>

Expected loss rates are based on actual loss experience over the past 2 year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

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

	2020 US\$'000	2019 US\$'000
Balance at beginning of the year	3,684	2,955
Impairment losses recognised during the year	629	709
Exchange realignment	(5)	20
Balance at end of the year	<u>4,308</u>	<u>3,684</u>

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

(a) Credit risk (Continued)

Trade receivables (Continued)

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

- increase in balances past due over 1 year resulted in an increase in loss allowance of US\$275,000 (2019: US\$674,000);

Other receivables

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

(b) Liquidity risk

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

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

(b) Liquidity risk (Continued)

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

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

As at 31 October 2020

	Carrying amount US\$'000	Total contractual undiscounted cash flows US\$'000	On demand or less than 1 year US\$'000	Between 1 and 2 years US\$'000	Over 2 but less than 5 years US\$'000	Over 5 years US\$'000
Non-derivative financial liabilities						
Trade and other payables	6,431	6,431	6,431	-	-	-
Bank borrowings	9,059	9,059	9,059	-	-	-
Bank overdrafts	2,561	2,561	2,561	-	-	-
Leases liabilities	353	366	316	35	15	-
	18,404	18,417	18,367	35	15	-

As at 31 October 2019

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

Note:

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 November 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Other lease liabilities include amounts recognised at the date of transition to HKFRS 16 in respect of leases previously classified as operating leases under HKAS 17 and amounts relating to new leases entered into during the year. Under this approach, the comparative information is not restated. See Note 3.

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

(b) Liquidity risk (Continued)

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

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

Maturity Analysis – Bank overdrafts and borrowings subject to a repayment on demand clause based on scheduled repayments

	Within 1 year US\$'000	More than 1 year but less than 2 years US\$'000	More than 2 years but less than 5 years US\$'000	More than 5 years US\$'000	Total outflows US\$'000
At 31 October 2019	10,061	69	86	–	10,216
At 31 October 2020	11,620	–	–	–	11,620

(c) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to the Group’s fixed-rate short-term pledged deposits. The management of the Group considers that the Group’s exposure from these fixed-rate short-term pledged deposits to interest rate risk is not significant.

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

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

(c) Interest rate risk (Continued)

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

	Effective interest rate %	2020 US\$'000	Effective interest rate %	2019 US\$'000
Variable rate instruments				
Financial liabilities				
– Bank overdrafts (see Notes 21 and 23)	6.7	2,561	5.8	1,546
– Bank borrowings (see Note 23)	6.1	9,059	6.8	8,564
		11,620		10,110

As at 31 October 2020, it is estimated that a general increase/decrease of 25 basis points (2019: 25 basis points) in interest rates for bank overdrafts and borrowings with all other variables held constant, would decrease/increase the Group's profit for the year and decrease/increase the retained earnings by approximately US\$22,000 (2019: US\$19,000).

The sensitivity analysis above indicates annualised impact on the Group's net interest that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to floating rate instruments which expose the Group to cash flow interest rate risk at that date. The analysis has been performed on the same basis throughout the year ended 31 October 2019.

(d) Foreign currency exchange risk

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

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, that is, a currency other than the functional currency of the entity to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars, Singapore dollars, Euro, Australian dollars and Hong Kong dollars.

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

(d) Foreign currency exchange risk (Continued)

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in United States dollars, translated using the spot rate at the reporting dates.

	31 October 2020				
	United States dollars US\$'000	Singapore dollars US\$'000	Euro US\$'000	Australian dollars US\$'000	Hong Kong dollars US\$'000
<u>Financial assets</u>					
Trade and other receivables	933	5,125	4	1,608	3
Cash and bank balances	46	750	1	15	161
<u>Financial liability</u>					
Trade and other payables	–	(910)	(125)	(125)	(265)
Gross exposure arising from recognised assets and liabilities	<u>979</u>	<u>4,965</u>	<u>(120)</u>	<u>1,498</u>	<u>(101)</u>
	31 October 2019				
	United States dollars US\$'000	Singapore dollars US\$'000	Euro US\$'000	Australian dollars US\$'000	Hong Kong dollars US\$'000
<u>Financial assets</u>					
Trade and other receivables	9,363	1,134	31	1,313	–
Cash and bank balances	2,598	45	1	1	–
<u>Financial liability</u>					
Trade and other payables	–	(1,131)	(257)	–	(248)
Gross exposure arising from recognised assets and liabilities	<u>11,961</u>	<u>48</u>	<u>(225)</u>	<u>1,314</u>	<u>(248)</u>

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29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)**(d) Foreign currency exchange risk** (Continued)**(ii) Sensitivity analysis**

The following table indicates the approximate change in the Group's profit after tax (and retained earnings) in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

	As at 31 October 2020		As at 31 October 2019	
	Increase/ (decrease) in foreign exchange rate	Effect on profit after taxation and retained earnings US\$'000	Increase/ (decrease) in foreign exchange rate	Effect on profit after taxation and retained earnings US\$'000
United States dollars	9% (9%)	66 (66)	4% (4%)	364 (364)
Singapore dollars	4% (4%)	151 (151)	3% (3%)	1 (1)
Euro	10% (10%)	(9) 9	5% (5%)	(9) 9
Australian dollars	10% (10%)	114 (114)	9% (9%)	90 (90)
Hong Kong dollars	10% (10%)	(8) 8	4% (4%)	(8) 8

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after taxation and equity measured in the respective functional currency, translated into United States dollars at the exchange rate ruling at the end of the reporting periods for presentation purposes. The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting periods, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currency of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of the Company and overseas subsidiaries into the Group's presentation currency.

(e) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 October 2020 and 2019.

For the year ended 31 October 2020

30. CAPITAL COMMITMENTS

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

	2020 US\$'000	2019 US\$'000
Contracted but not provided for:		
– Investment in joint venture (RMB1,500,000)	224	213
	<u>224</u>	<u>213</u>

During the year ended 31 October 2019, 順鋁(上海), an indirectly wholly-owned subsidiary of the Company, entered into a joint venture agreement (the “**JV agreement**”) with 上海北斗新能源有限公司 (“**Beidou**”) pursuant to which both companies agreed to establish a joint venture company, 上海北鋁 (“**JV Company**”). Pursuant to the JV agreement, the amount of registered capital of the JV Company shall be RMB3,000,000 while 順鋁(上海) and Beidou shall each account for a capital contribution of RMB1,500,000. As at 31 October 2020, the Group has not contributed any capital into the JV Company.

31. OPERATING LEASES

As at 31 October 2019, the total future aggregate minimum lease payments under non-cancellable operating leases were payable as follows:

	2019 US\$'000
Not later than 1 year	410
After 1 year but within 5 years	<u>322</u>
	<u>732</u>

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under HKAS 17. 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 statement of financial position in accordance with the policies set out in Note 2(i), and the details regarding the Group’s future lease payments are disclosed in Note 24.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

32. 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.

<u>Name of party</u>	<u>Relationship with the Group</u>
Gemilang Australia Pty Ltd.	An associate company of the Group until the date of disposal on 3 June 2019
SW Excel Tech Engineering Sdn. Bhd.	A company controlled by close family members of a director
P&P Excel Car Air-Conditioning Sdn. Bhd.	A company controlled by close family members of a director
P&P Excel Tech Engineering Sdn. Bhd.	A company controlled by close family members of a director
CP Excel Auto Tech Pte. Ltd.	A company controlled by close family members of a director
GML Technologies Sdn. Bhd.	A company controlled by the Controlling Shareholders

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	2020 US\$'000	2019 <i>US\$'000</i>
Short-term employee benefits	1,320	1,135
Post-employment benefits	182	141
	1,502	1,276

For the year ended 31 October 2020

32. RELATED PARTY TRANSACTIONS (Continued)**(b) Financing arrangements with related parties**

As at 31 October 2020, the Group has the following balances with related parties:

	Notes	2020 US\$'000	2019 US\$'000
Amounts due from/(to) related companies			
– SW Excel Tech Engineering Sdn. Bhd.	(i), (ii)	14	6
– P&P Excel Car Air-Conditioning Sdn. Bhd.	(i), (ii)	6	6
– P&P Excel Tech Engineering Sdn. Bhd.	(i), (ii)	(26)	(101)
– GML Technologies Sdn. Bhd.	(i), (ii)	48	201
– CP Excel Auto Tech Pte. Ltd.	(i), (ii)	14	14
		56	126

Notes:

- (i) The outstanding balances with these parties are unsecured, interest-free and repayable on demand.
- (ii) The outstanding balances are included in trade and other receivables (Note 18) and trade and other payables (Note 22).

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

32. RELATED PARTY TRANSACTIONS (Continued)

(c) Other related party transactions

- (i) During the year ended 31 October 2020, the Company entered into the following material related party transactions:

Continuing transactions

	2020 US\$'000	2019 US\$'000
Sales of bus body		
– Gemilang Australia Pty Ltd	–	1,504
Sales of parts and services		
– Gemilang Australia Pty Ltd	–	53
– P&P Excel Car Air-Conditioning Sdn. Bhd.	1	–
– P&P Excel Tech Engineering Sdn. Bhd.	1	–
– SW Excel Tech Engineering Sdn. Bhd.	9	1
	11	54
Purchases of parts and services		
– P&P Excel Tech Engineering Sdn. Bhd	180	201
– CP Excel Auto Tech Pte. Ltd.	–	13
	180	214
Commission expenses		
– Gemilang Australia Pty Ltd	–	835
Rental expenses		
– GML Technologies Sdn. Bhd.	284	285

- (ii) As at 31 October 2019, the directors of the Company provided their joint and several guarantees to banks for the banking facilities granted to the Group (Note 23). Such guarantees were released during the year ended 31 October 2020.
- (iii) A land held by a related company is pledged with a bank for the Group's borrowings as at 31 October 2019 (Note 23). The related company is controlled by the Controlling Shareholders.
- (iv) The directors of the Company are of the opinion that the above transactions were conducted on terms mutually agreed.

33. CONTINGENT LIABILITIES

Performance bonds

	2020 US\$'000	2019 US\$'000
Performance bonds for contracts in favour of customers	5,830	7,389

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

For the year ended 31 October 2020

34. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION

	2020 US\$'000	2019 US\$'000
Non-current asset		
Property, plant and equipments	3	–
Investments in subsidiaries	8,238	8,238
Loan to a subsidiary	7,087	7,087
	<u>15,328</u>	<u>15,325</u>
Current assets		
Deposits and prepayments	3	9
Amounts due from subsidiaries	823	244
Cash and cash equivalents	179	21
	<u>1,005</u>	<u>274</u>
Current liabilities		
Other payable	170	349
Lease liabilities	3	–
	<u>173</u>	<u>349</u>
Net current assets/(liabilities)	<u>832</u>	<u>(75)</u>
NET ASSETS	<u>16,160</u>	<u>15,250</u>
CAPITAL AND RESERVES		
Share capital	324	324
Reserve	15,836	14,926
TOTAL EQUITY	<u>16,160</u>	<u>15,250</u>

Approved and authorised for issue by the board of directors on 29 January 2021.

Pang Chong Yong
Director

Huan Yean San
Director

Note: The Company has initially applied HKFRS 16 at 1 November 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and there is no net effect on the opening balance of the Company's equity as at 1 November 2019.

Notes to the Consolidated Financial Statements

For the year ended 31 October 2020

34. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION (Continued)

Movements in the Company's reserves:

	Share premium US\$'000	Capital reserve US\$'000 (Note)	Share Option reserve US\$'000	Accumulated losses US\$'000	Total US\$'000
At 1 November 2018	10,165	8,238	260	(3,068)	15,595
Exercise of share options	86	-	(22)	-	64
Lapse of share options	-	-	(15)	15	-
Profit for the year and total comprehensive income	-	-	-	239	239
Dividends paid	(972)	-	-	-	(972)
At 31 October 2019	<u>9,279</u>	<u>8,238</u>	<u>223</u>	<u>(2,814)</u>	<u>14,926</u>
At 1 November 2019	9,279	8,238	223	(2,814)	14,926
Lapse of share options	-	-	(11)	11	-
Profit for the year and total comprehensive income	-	-	-	910	910
At 31 October 2020	<u>9,279</u>	<u>8,238</u>	<u>212</u>	<u>(1,893)</u>	<u>15,836</u>

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

The Company has initially applied HKFRS 16 at 1 November 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and there is no net effect on the opening balance of the Company's equity as at 1 November 2019.