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Gemilang International Limited

彭順國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6163)

CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF AND ADVANCES DUE BY GML PREMIER SDN. BHD.

ACQUISITION

The Board hereby announces that, on 27 October 2022 (after trading hours of the Stock Exchange), the Purchaser, being a direct wholly-owned subsidiary of the Company, and the Vendors entered into the Conditional Share Sale Agreement, pursuant to which the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the entire issued share capital of and the Advances due by the Target Company, which in turn solely owns the Property, for an aggregate Consideration of RM2,591,244 (equivalent to approximately US\$550,000) upon and subject to the terms and conditions set out therein.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the shares of the Target Company are owned as to 50% by Mr. CY Pang, who is the chairman, the chief executive officer, the executive Director and a controlling Shareholder of the Company, and 50% by Mr. JK Pang, who is the son of Mr. CY Pang and the brother of Mr. Pang Jun Jie, an executive Director. Accordingly, the transaction contemplated under the Conditional Share Sale Agreement constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules. Mr. CY Pang, who has material interests in the Acquisition, and Mr. Pang Jun Jie, who is the son of Mr. CY Pang, had abstained from voting on the relevant issues at the Board meeting for approving the Conditional Share Sale Agreement.

As all of the applicable percentage ratios (other than the profits ratio) in respect of the transaction contemplated under the Conditional Share Sale Agreement are less than 5%, the transaction contemplated under the Conditional Share Sale Agreement is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Completion is subject to the fulfillment of the conditions precedent set out in the Conditional Share Sale Agreement and therefore the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

THE ACQUISITION

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The Conditional Share Sale Agreement

The principal terms of the Conditional Share Sale Agreement are set out as follows:

- Date:** 27 October 2022
- Parties:**
- (i) the Vendors (as vendors); and
 - (ii) the Purchaser (as purchaser)

Assets to be acquired

Pursuant to the terms and conditions of the Conditional Share Sale Agreement, the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares and the Advances subject to and upon the terms and conditions therein.

As at the date of this announcement, the Target Company is in turn the registered and beneficial proprietor of the Property.

Consideration

The Consideration is RM2,591,244 (equivalent to approximately US\$550,000), which shall be payable by the Purchaser to the Vendors in the following manner:

- (a) as to RM1,554,746 (equivalent to approximately US\$330,000), being the deposit (the “**Deposit**”) and part payment towards account of the Consideration, shall be paid by the Purchaser to the Vendors upon the execution of the Conditional Share Sale Agreement; and
- (b) as to RM1,036,498 (equivalent to approximately US\$220,000), being the remaining balance of the Consideration, shall be paid by the Purchaser to the Vendors’ solicitors within thirty (30) days after the Unconditional Date (as defined below).

The Vendors’ solicitors shall and are expressly authorised to retain such amount as may for the time being be prescribed by under the applicable laws (the “**Retention Sum**”) and pay that amount to the Director General of Inland Revenue within the prescribed period under the applicable laws. The Retention Sum paid to the Director General of Inland Revenue shall form part payment of the Consideration and in the event that the tax payable by the Vendors are assessed to be lower than the amount of the Retention Sum, or the Conditional Share Sale Agreement is not completed for any reason whatsoever, the Purchaser shall not be under any obligation to obtain the refund on behalf of the Vendors or otherwise.

Basis of the Consideration

The Consideration was determined after arm’s length negotiations between the Purchaser and the Vendors on normal commercial terms with reference to (i) the market value of the Property of approximately RM2,300,000 (equivalent to approximately US\$488,000) as at 25 October 2022 as valued by an independent property valuer; (ii) the potential appreciation in value of the Property upon the conversion of the category of land use from “Agriculture” to either “Building (Commercial)” or “Industry”; (iii) the prevailing market conditions, the location of the Property and the market price of comparable properties in the same area; and (iv) the benefits of the Acquisition as set out in the section headed “Reasons for and benefits of the Acquisition” in this announcement.

The Group intends to finance the Consideration by internal resources of the Group.

Conditions precedent

The sale and purchase of the Sale Shares and the Advances is subject to and conditional upon the following:-

- (a) the Vendors procuring the Target Company to apply for and obtain the approval from the relevant authorities in Malaysia on the change of the category of land use of the Property from “Agriculture” to either “Building (Commercial)” or “Industry” with such express conditions as may be determined by the Purchaser or such endorsement to the similar effect (the “**Conversion Approval**”);
- (b) thereafter, the Purchaser applying for and obtaining the approval from the Johor State Authority approving the transfer of the Sale Shares by the Vendors in favour of the Purchaser or obtaining the written confirmation therefrom that such application is not necessary in the transaction contemplated under the Conditional Share Sale Agreement (the “**State Approval**”); and
- (c) all necessary consents, licences and approvals required to be obtained on the part of the Company (if applicable) in respect of the Conditional Share Sale Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect.

As at the date of this announcement, save for the passing of the resolutions of the Board to approve the Conditional Share Sale Agreement, none of the above conditions precedent has been fulfilled.

The period for obtaining the Conversion Approval and the State Approval is 12 months from the date of the Conditional Share Sale Agreement (the “**Conditional Period**”).

The date when all the conditions precedent set out above have been fulfilled will be known as the “**Unconditional Date**”.

In the event that the Conversion Approval or the State Approval is not obtained within the Conditional Period,

- (i) the Vendors and the Purchaser may mutually agree to extend the Conditional Period subject to such terms and conditions as may be agreed; or
- (ii) either of the Vendors or the Purchaser may by notice in writing to the other party terminate the Conditional Share Sale Agreement whereupon:
 - a. the Vendors shall refund the Deposit and all money paid by the Purchaser in full; and

- b. the Vendors shall reimburse or cause the Target Company to reimburse the Purchaser the payment of the premium and other charges incurred in the application for the Conversion Approval and/or the State Approval and all other monies expended pursuant to the Conditional Share Sale Agreement,

with interest at the rate of 6% per annum on daily basis calculated from the respective dates of payment to the date of refund.

Thereafter, the Conditional Share Sale Agreement shall be of no further effect but without prejudice to the rights of the Vendors and the Purchaser in respect of any antecedent breach of the Conditional Share Sale Agreement.

Completion

Completion shall take place after the fulfillment of the conditions precedent of the Conditional Share Sale Agreement and the full and due compliance by the Purchaser with the terms and conditions of the Conditional Share Sale Agreement, upon which the Purchaser may effect the transfer of the Sale Shares.

Upon Completion, the Vendors shall assign in favour of the Purchaser the Advances or part thereof remaining undischarged.

Default by the Purchaser

In the event of the Purchaser failing and/or neglecting to complete the Conditional Share Sale Agreement within the Conditional Period or as extended in accordance with the terms of the Conditional Share Sale Agreement, or commits any breach of the terms of the Conditional Share Sale Agreement, the Vendors shall have the right to terminate the Conditional Share Sale Agreement by giving a fourteen (14) days' written notice to the Purchaser whereupon, the Vendors shall (a) be entitled to forfeit and deduct a sum equal to 10% of the Consideration (i.e. RM259,124) (equivalent to approximately US\$55,000) from the Deposit as agreed liquidated damages and shall return the remaining balance of the Deposit (i.e. RM1,295,622) (equivalent to approximately US\$275,000) (without interest) to the Purchaser; and (b) reimburse or cause the Target Company to reimburse the Purchaser the payment of the premium and other charges incurred in the application for the Conversion Approval and/or the State Approval and all other monies expended pursuant to the Conditional Share Sale Agreement.

Default by the Vendors

In the event any of the Vendors failing to complete the sale of the Sale Shares and the Advances, the Purchaser shall have the right at its discretion, either: (a) to terminate the Conditional Share Sale Agreement by giving a fourteen (14) days' written notice to the Vendors; or (b) to proceed with specific performance proceedings against the Vendors.

If the Purchaser decides to proceed with the former, (a) the Purchaser shall be entitled to seek a refund of the Deposit and all money paid towards the Consideration in full from the Vendors with interest thereon at the rate of 6% per annum on daily basis calculated from the date of termination to the date of refund; (b) the Vendors shall pay to the Purchaser a sum equivalent to 10% of the Consideration (i.e. RM259,124 (equivalent to approximately US\$55,000) as agreed liquidated damages; and (c) the Vendors shall reimburse or cause the Target Company to reimburse the Purchaser the payment of the premium and other charges incurred in the application for the Conversion Approval and/or the State Approval and all other monies expended pursuant to the Conditional Share Sale Agreement with interest thereon at the rate of 6% per annum on daily basis calculated from the date of termination to the date of payment.

INFORMATION ON THE TARGET COMPANY AND THE PROPERTY

The Target Company is a company incorporated in Malaysia. As at the date of this announcement, the Target Company is principally engaged in investment in real property.

As at the date of this announcement, the Target Company is in turn the registered and beneficial proprietor of the Property. The Property is a freehold agriculture land held under HS(M) 4267 PTD 43224 (now known as HS(M) 2761 PTD 43224) in Mukim of Senai, District of Kulai, State of Johor containing an area of approximately 0.4755 hectares (equivalent to approximately 51,182 square feet).

Financial information of the Target Company

Set out below is the financial information of the Target Company based on the audited financial statements of the Target Company for the year ended 31 July 2021 and the unaudited financial statements of the Target Company for the year ended 31 July 2022:

	For the year ended 31 July 2021	For the year ended 31 July 2022
	<i>RM</i>	<i>RM</i>
	<i>(audited)</i>	<i>(unaudited)</i>
Revenue	0	0
Loss before taxation	(3,776)	(4,040)
Loss after taxation	(3,790)	(4,056)

The total assets, total liabilities and net assets of the Target Company as at 31 July 2022, according to its unaudited financial statements were RM2,592,285 (equivalent to approximately US\$550,000), RM2,575,067 (equivalent to approximately US\$546,000) and RM17,218 (equivalent to approximately US\$4,000), respectively.

The original acquisition cost incurred by the Target Company for the Property was RM2,405,554 (equivalent to approximately US\$510,000).

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company. The Group is principally engaged in designing and manufacturing bus bodies, as well as assembling buses.

The Target Company is an investment vehicle for holding the Property. Upon Completion, the Property is intended for self-use as expansion of manufacturing facilities, as storage of completed buses manufactured by the Group and/or the building of showroom(s) for future use. Given that (i) the Property is in close proximity to the headquarter and principal place of business of the Group in Malaysia; (ii) the Acquisition is expected to expand the manufacturing capacity and showcasing the latest bus models and technology of the Group in the showroom(s), which may also be used to host commercial events of the Group; (iii) the Group may lease out the showroom(s) at times when they are not utilised by the Group, providing an additional source of income for the Group; (iv) the amount of the Consideration is the original cost plus professional fees and other expenses incurred by the Target Company for the Property; and (v) the Acquisition would broaden the fixed assets base of the Group and provide an opportunity for the Group to benefit from the capital appreciation potential of the Property, the Directors (including the independent non-executive Directors) consider that, the terms of the Conditional Share Sale Agreement (including the Consideration) are on normal commercial terms and are fair and reasonable, and the entering into of the Conditional Share Sale Agreement is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the shares of the Target Company are owned as to 50% by Mr. CY Pang, who is the chairman, the chief executive officer, the executive Director and a controlling Shareholder of the Company, and 50% by Mr. JK Pang, who is the son of Mr. CY Pang and the brother of Mr. Pang Jun Jie, an executive Director. Accordingly, the transaction contemplated under the Conditional Share Sale Agreement constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules. Mr. CY Pang, who has material interests in the Acquisition, and Mr. Pang Jun Jie, who is the son of Mr. CY Pang, had abstained from voting on the relevant issues at the Board meeting for approving the Conditional Share Sale Agreement.

As all of the applicable percentage ratios (other than the profits ratio) in respect of the transaction contemplated under the Conditional Share Sale Agreement are less than 5%, the transaction contemplated under the Conditional Share Sale Agreement is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Completion is subject to the fulfillment of the conditions precedent set out in the Conditional Share Sale Agreement and therefore the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

Unless the context requires otherwise, capitalised terms used in this announcement shall have the following meaning:

“Acquisition”	the acquisition of the Sale Shares and the Advances by the Purchaser from the Vendors pursuant to the terms and conditions of the Conditional Share Sale Agreement
“Advances”	the sums of money advanced to and expended by the Vendors for the Target Company which are due and owing to the Vendors by the Target Company
“Board”	the board of Directors
“Company”	Gemilang International Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 6163)
“Completion”	completion of the Acquisition pursuant to the terms and conditions of the Conditional Share Sale Agreement
“Conditional Period”	has the meaning ascribed thereunder under the section headed “The Acquisition – the Conditional Share Sale Agreement – Conditions Precedent” in this announcement
“Conditional Share Sale Agreement”	the conditional share sale agreement dated 27 October 2022 and entered into between the Purchaser and the Vendors in relation to the Acquisition
“Consideration”	an aggregate sum of RM2,591,244 (equivalent to approximately US\$550,000), being the consideration for the purchase of the Sale Shares and the Advances
“Conversion Approval”	has the meaning ascribed thereunder under the section headed “The Acquisition – the Conditional Share Sale Agreement – Conditions Precedent” in this announcement
“Deposit”	has the meaning ascribed thereunder under the section headed “The Acquisition – the Conditional Share Sale Agreement – Consideration” in this announcement
“Director(s)”	director(s) of the Company

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mr. CY Pang”	Mr. Pang Chong Yong, being (i) the chairman of the Board, the chief executive officer of the Company, an executive Director and a controlling Shareholder; and (ii) the father of Mr. JK Pang (being one of the Vendors) and Mr. Pang Jun Jie (being an executive Director)
“Mr. JK Pang”	Mr. Pang Jun Kang, being the son of Mr. CY Pang (being one of the Vendors) and the brother of Mr. Pang Jun Jie (being an executive Director)
“Property”	a freehold agriculture land held under HS(M) 4267 PTD 43224 (now known as HS(M) 2761 PTD 43224) in Mukim of Senai, District of Kulai, State of Johor containing an area of approximately 0.4755 hectares (equivalent to approximately 51,182 square feet)
“Purchaser”	Gemilang Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
“Retention Sum”	has the meaning ascribed thereunder under the section headed “The Acquisition – the Conditional Share Sale Agreement – Consideration” in this announcement
“Sale Shares”	two (2) issued shares of the Target Company, representing the total issued share capital of the Target Company as at the date of this announcement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“State Approval”	has the meaning ascribed thereunder under the section headed “The Acquisition – the Conditional Share Sale Agreement – Conditions Precedent” in this announcement

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	GML Premier Sdn. Bhd., a company incorporated in Malaysia which is owned as to 50% by Mr. CY Pang and 50% by Mr. JK Pang
“Unconditional Date”	has the meaning ascribed thereunder under the section headed “The Acquisition – the Conditional Share Sale Agreement – Conditions Precedent” in this announcement
“Vendors”	collectively, Mr. CY Pang and Mr. JK Pang
“RM”	Malaysian ringgit, the lawful currency of Malaysia
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent.

For the purpose of this announcement, unless otherwise indicated, conversions of RM into US\$ is calculated at the approximate exchange rates of RM1.00 to US\$0.2122. These exchange rates are adopted for the purpose of illustration purpose only and do not constitute a representation that any amounts have been, could have been, or may be, exchanged at these rates or any other rates at all.

By order of the Board
Gemilang International Limited
Pang Chong Yong
*Chairman, Chief Executive Officer and
Executive Director*

27 October 2022

As at the date of this announcement, the Board comprises (i) Mr. Pang Chong Yong (Chairman), Mr. Pang Jun Jie and Mr. Yik Wai Peng as executive directors of the Company; and (ii) Ms. Lee Kit Ying, Ms. Kwok Yuen Shan Rosetta, Mr. Huan Yean San and Mr. Andrew Ling Yew Chung as independent non-executive directors of the Company.