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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)

MAJOR TRANSACTION DISPOSAL OF PROPERTY IN MALAYSIA

THE DISPOSAL

The Board would like to announce that on 18 August 2023 (after trading hours of the Stock Exchange), the Vendor, being an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Property for a total consideration of RM20,688,000 (equivalent to approximately US\$4,456,000) upon and subject to the terms and conditions set out therein.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the Disposal is more than 25% but all of the percentage ratios are less than 75%, the entering into of the Sale and Purchase Agreement constitutes a major transaction on the part of the Company under the Listing Rules, and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

None of the Directors has any material interest in the Disposal and hence no Director is required to abstain from voting on the relevant resolution(s) of the Board approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of their associates has any material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder, and will be required to abstain from voting on the relevant resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, (i) further information on the Disposal; (ii) an independent property valuation report on the Property; (iii) other information as required under the Listing Rules; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or before 8 September 2023 as additional time is required for the preparation of the relevant information to be included in the circular.

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

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THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out as follows:

Date: 18 August 2023

Parties: (i) the Vendor; and
(ii) the Purchaser

The Purchaser is a company incorporated in Malaysia with limited liability. To the best of the Director's knowledge, information and belief having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner(s) is an Independent Third Party.

Asset to be disposed of

Pursuant to the terms and conditions of the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Property subject to and upon the terms and conditions therein.

The Property is a freehold vacant land situated at GM 79 Lot 250, Mukim of Senai, District of Kulai, State of Johor, Malaysia with an area of approximately 3.3437 hectares (equivalent to approximately 359,912 square feet).

Purchase Price

The Purchase Price payable for the Property is RM20,688,000 (equivalent to approximately US\$4,456,000), which shall be satisfied by the Purchaser in the following manner:

- (i) a sum of RM2,068,800 (equivalent to approximately US\$446,000) (the “**Deposit**”), being the earnest deposit of RM206,880 (equivalent to approximately US\$45,000), and the balance deposit of RM1,861,920 (equivalent to approximately US\$401,000) shall be paid upon execution of the Sale and Purchase Agreement to the Vendor’s solicitors as stakeholder, of which a retention sum of RM620,640 (equivalent to approximately US\$134,000) will be paid to the Director-General of Inland Revenue towards payment of real property gains tax; and
- (ii) the remaining balance as to RM18,619,200 (equivalent to approximately US\$4,010,000) (the “**Balance Purchase Price**”) shall be paid by the Purchaser to the Vendor’s solicitors within the Completion Period or the Extended Completion Period (as the case may be).

If the Purchaser is unable to pay the Balance Purchase Price or any part thereof by the end of the Completion Period, the Vendor agrees to automatically (and without the necessity of a request by the Purchaser) grant to the Purchaser an extension of time until the Extended Completion Period being one (1) month from the expiry of the Completion Period to pay the Balance Purchase Price or such part thereof, in which event the Purchaser agrees to pay to the Vendor interest on the Balance Purchase Price or any outstanding amount due to the Vendor, as the case may be, at the rate of 8% per annum, calculated on a daily basis from the final day of the Completion Period to the date of actual payment of all outstanding amount in full, such interest to be tendered together with the Balance Purchase Price or any outstanding amount due, at or before the end of the Extended Completion Period.

Basis of the Purchase Price

The Purchase Price was determined after arm's length negotiations between the Purchaser and the Vendor on normal commercial terms with reference to (i) the market value of the Property of approximately RM20,000,000 (equivalent to approximately US\$4,308,000) as at 7 August 2023 based on the preliminary valuation conducted by an independent property valuer using comparison approach; (ii) the original purchase price of the Property of RM16,915,864 (equivalent to approximately US\$3,644,000); (iii) the prevailing market conditions, the location of the Property and the market price of comparable properties in the same area; and (iv) other reasons as set out in the section headed "Reasons for and benefits of the Disposal" in this announcement.

Conditions Precedent

The sale and purchase of the Property is conditional upon obtaining the following within two (2) months from the date of the Sale and Purchase Agreement or such other extended period to be mutually agreed by the Vendor and the Purchaser (the "**Conditional Period**"):

- (a) the Purchaser obtaining the approvals from its board of directors and shareholders, for the purchase of the Property from the Vendor; and
- (b) the Vendor and the Company obtaining all necessary approvals from the Board, the Shareholders and any regulatory bodies, for the sale of the Property to the Purchaser.

The Sale and Purchase Agreement will become unconditional on the date on which the last of the above conditions has been duly fulfilled (the "**Unconditional Date**"), and the fulfillment thereof shall be confirmed and communicated by the Vendor's solicitors to the Purchaser's solicitors or vice versa, as the case may be. The date of notification of such fulfillment by the relevant solicitors shall be construed as the Unconditional Date. None of the above conditions is capable of being waived.

In the event that any of the conditions precedent under the Sale and Purchase Agreement is not fulfilled by the expiry of the Conditional Period for any reasons whatsoever, the parties shall extend the Conditional Period for a further extension period to be mutually agreed by the parties to fulfill the relevant conditions precedent, failing which the Purchaser will be entitled to terminate the Sale and Purchase Agreement by serving a written notice to the other party whereupon the Vendor will, within fourteen (14) days from the date of receipt of such written notice, refund or cause to be refunded to the Purchaser the Deposit, free of interest, and the Purchaser will, in exchange thereof, (i) withdraw any private caveat or other encumbrances lodged against the said Property at its own costs and expenses; (ii) deliver or cause to be delivered to the Vendor the memorandum of transfer; and (iii) return or cause to be returned to the Vendor all other relevant documents in respect of the Property which had been given by the Vendor to the Purchaser with the Vendor's interest intact.

Thereafter, the Sale and Purchase Agreement will terminate and cease to have any effect and neither party thereto will have any further claim against the other party on any matter in respect of or arising from the Sale and Purchase Agreement save and except for any antecedent breach that has been committed and the Vendor will be at liberty to sell the Property to any third party without any reference to the Purchaser.

Completion

Completion shall take place within three (3) months from the Unconditional Date (the “**Completion Period**”) or one (1) month from the expiry of the Completion Period (the “**Extended Completion Period**”), as the case may be. Upon Completion, the Property will cease to be owned by the Vendor and the Company will cease to have any interests in the Property.

Vacant possession of the Property must be delivered to the Purchaser forthwith upon receipt of the Balance Purchase Price by the Vendor’s solicitors.

Default by the Purchaser

If the Purchaser fails to pay the Balance Purchase Price on or before the end of the Completion Period or the Extended Completion Period, as the case may be, the Vendor will be at liberty to terminate the Sale and Purchase Agreement, whereupon all the Purchaser’s rights thereunder will cease and the Deposit paid thereunder will be irrevocably forfeited to the Vendor absolutely, and the Sale and Purchase Agreement will be treated as null and void and of no further effect and neither party will have any claim whatsoever against the other.

Default by the Vendor

If the Vendor fails or neglects to transfer the Property to the Purchaser when the Purchaser has tendered the Balance Purchase Price, the Vendor must forthwith refund all moneys paid by the Purchaser together with a further sum equivalent to 10% of the Purchase Price as agreed liquidated damages, whereupon the Sale and Purchase Agreement will be treated as null and void and of no further effect and neither party will have any claim whatsoever against the other. Alternatively, the Purchaser may exercise its right to enforce specific performance of the Sale and Purchase Agreement together with all the rights and entitlements ensuing therefrom.

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in Malaysia with limited liability and is an investment holding company and is engaged in local, import and export trading business. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner(s) is an Independent Third Party as at the date of this announcement.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

The Property has been indirectly held by the Company. The carrying amount of the Property in the Group's account is approximately RM17,977,000 (equivalent to approximately US\$3,872,000), and the expected book gain, after deducting related expenses, from the Disposal is approximately RM1,765,000 (equivalent to approximately US\$380,000).

Upon Completion, the Company will cease to have any interests in the Property. Subject to further audit procedures to be performed by the auditor of the Company, the Group is expected to record a gain from the Disposal of approximately RM1,765,000 (equivalent to approximately US\$380,000) being the Purchase Price for the Disposal of RM20,688,000 (equivalent to approximately US\$4,456,000) after deducting relevant expenses and taxes and the carrying amount of the Property in the Group's account. The actual amount of gain or loss as a result of the Disposal to be recorded by the Group will be subject to review and final audit by the auditor of the Company.

The net proceeds from the Disposal, after deducting the expenses directly attributable thereto, will be approximately RM19,742,000 (equivalent to approximately US\$4,252,000). The Company intends to apply the net proceeds from the Disposal in the following manner:

- (i) approximately RM12,488,000 (equivalent to approximately US\$2,689,000), representing approximately 63% of the net proceeds from the Disposal, shall be utilised for settlement of the bank borrowings which the Vendor financed for the purchase of the Property; and
- (ii) approximately RM7,254,000 (equivalent to approximately US\$1,563,000), representing approximately 37% of the net proceeds from the Disposal, shall be utilised for the general working capital of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company is an investment holding company. The Group is principally engaged in designing and manufacturing bus bodies and assembling buses. The Vendor is a company incorporated in Malaysia with limited liability, and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the fabrication of body work for buses and trading of body kits and spare parts for buses.

The Board believes that the Disposal would allow the Group to realise the investment in the Property. Furthermore, taking into the consideration (i) that the Purchase Price is higher than the market value of the Property of approximately RM20,000,000 (equivalent to approximately US\$4,308,000) valued by an independent property valuer; (ii) the original purchase price of the Property of RM16,915,864 (equivalent to approximately US\$3,644,000) when the Group entered into an sale and purchase agreement to purchase the Property in July 2021; and (iii) the prevailing market conditions, the location of the Property and the market price of comparable properties in the same area; and (iv) the expected gain from the Disposal, the Disposal represents a good opportunity to realise the value of the Property at a favourable price and to better allocate its resources for the development of the Group's existing business. Having regard to the aforementioned, the Directors believe that the terms of the Disposal (including the Purchase Price) are on normal commercial terms, fair and reasonable, and the Disposal is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the Disposal is more than 25% but all of the percentage ratios are less than 75%, the entering into of the Sale and Purchase Agreement constitutes a major transaction on the part of the Company under the Listing Rules, and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

None of the Directors has material interest in the Disposal and hence no Director is required to abstain from voting on the relevant resolution(s) of the Board approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of their associates has any material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder, and will be required to abstain from voting on the relevant resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, (i) further information on the Disposal; (ii) an independent property valuation report on the Property; (iii) other information as required under the Listing Rules; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or before 8 September 2023 as additional time is required for the preparation of the relevant information to be included in the circular.

Completion is subject to the fulfillment of the conditions precedent set out in the Sale and Purchase Agreement and therefore the Disposal 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 otherwise requires, capitalised terms used in this announcement shall have the following meanings:

- “Balance Purchase Price” has the meaning ascribed thereto under the section headed “The Disposal – The Sale and Purchase Agreement – Purchase Price” in this announcement
- “Board” the board of Directors
- “Conditional Period” has the meaning ascribed thereto under the section headed “The Disposal – The Sale and Purchase Agreement – Conditions Precedent” in this announcement
- “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 Disposal
- “Completion Period” has the meaning ascribed thereto under the section headed “The Disposal – The Sale and Purchase Agreement – Completion” in this announcement
- “Deposit” has the meaning ascribed thereto under the section headed “The Disposal – The Sale and Purchase Agreement – Purchase Price” in this announcement
- “Director(s)” the director(s) of the Company
- “Disposal” the proposed disposal of the Property by the Vendor to the Purchaser pursuant to the terms and conditions of the Sale and Purchase Agreement
- “EGM” the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder

“Extended Completion Period”	has the meaning ascribed thereto under the section headed “The Disposal – The Sale and Purchase Agreement – Completion” in this announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Property”	a freehold vacant land situated at GM 79 Lot 250, Mukim Senai, District of Kulai, State of Johor, Malaysia with an area of approximately 3.3437 hectares (equivalent to approximately 359,912 square feet)
“Purchase Price”	an aggregate sum of RM20,688,000 (equivalent to approximately US\$4,456,000), being the consideration for the sale of the Property
“Purchaser”	Super Choice Sdn. Bhd., a company incorporated in Malaysia with limited liability
“Sale and Purchase Agreement”	the conditional Sale and Purchase Agreement dated 18 August 2023 entered into between the Vendor and the Purchaser in respect of the Disposal
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s) from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Unconditional Date”	has the meaning ascribed thereto under the section headed “The Disposal – The Sale and Purchase Agreement – Conditions Precedent” in this announcement
“Vendor”	Gemilang Coachwork Sdn. Bhd., a company incorporated in Malaysia with limited liability and an indirect wholly-owned subsidiary of the Company
“RM”	Malaysian ringgit, the lawful currency of Malaysia
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

For the purpose of this announcement, unless otherwise indicated, conversion of RM into US\$ is calculated at the approximate exchange rate of RM1.00 to US\$0.2154. This exchange rate is adopted for the purpose of illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rates at all.

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

Hong Kong, 18 August 2023

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