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JAPAN KYOSEI GROUP COMPANY LIMITED

日本共生集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00627)

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO
THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL
IN THE TARGET COMPANY**

On 13 June 2024 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) and the Vendor entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares (representing the entire equity interest in the Target Company) at the Consideration of HK\$400,000,000.

As at the date of this announcement, the Target Company is the legal and beneficial owner of the entire issued shares of the Target Subsidiaries. The Target Subsidiaries are collectively the legal and beneficial owner of the Properties and are in the course of acquiring the Remaining Properties. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group's consolidated financial statements.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 25% but all of the applicable percentage ratios are less than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the reporting, announcement and Shareholder's approval requirements under Chapter 14 of the Listing Rules.

The Target Company is wholly owned by the Vendor, which is wholly-owned by Kyosei Bank. Kyosei Bank is wholly-owned by Mr. Yanase Kenichi, a controlling shareholder of the Company, who is interested as to 994,019,402 Shares, representing approximately 69.97% of the total issued Shares. As such, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, and is therefore subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In accordance with the Listing Rules, any Shareholder who has a material interest in the Agreement shall abstain from voting on the resolution to approve the Agreement at the SGM. As at the date of this announcement, Mr. Yanase Kenichi is the 100% indirect shareholder of the Target Company. As such, Mr. Yanase Kenichi will be required to abstain from voting on the relevant resolutions at the SGM. Save as disclosed above, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no other Shareholder has a material interest in the Agreement and will be required to abstain from voting on the relevant resolution to approve the Agreement at the SGM.

GENERAL

An Independent Board Committee comprising all of the independent non-executive Directors will be formed to advise the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder. Nuada Limited has been appointed as the Independent Financial Advisor to make recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Agreement and the transactions contemplated thereunder; (ii) the recommendations of the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders; (iv) the financial information of the Target Company; (v) the unaudited proforma financial information of the enlarged Group; (vi) the Valuation Report; and (vii) a notice convening the SGM will be despatched to the Shareholders as soon as practicable. In view of the time required for the Company to prepare and finalise certain information to be included in the circular, it is expected that the circular and the notice convening the SGM will be despatched to the Shareholders on or before 31 July 2024.

The Acquisition is subject to the satisfaction or waiver (as the case may be) of the conditions precedent as set out in the Agreement and may or may not proceed to Completion. Shareholders and potential investors should exercise caution when dealing in the Shares.

ACQUISITION

On 13 June 2024 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) and the Vendor entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares (representing the entire equity interest in the Target Company) at the Consideration of HK\$400,000,000.

Sale and Purchase Agreement

The principal terms of the Agreement are summarised below:

- Date:** 13 June 2024.
- Parties:**
1. River Moder Limited, a wholly-owned subsidiary of the Company, as the Purchaser; and
 2. Speed Sword Limited, a connected person of the Company, as the Vendor.
- Assets to be acquired:** Pursuant to the terms and conditions of the Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares (representing the entire equity interest in the Target Company) free from encumbrances.

Consideration:

Subject to the adjustment mechanism set out below, the Consideration of the Acquisition is HK\$400,000,000.

The Consideration will be settled by a promissory note issued by the Company in favour of the Vendor upon Completion.

The promissory note will be issued by the Company on the date of Completion, in the principal amount of HK\$400,000,000, representing 100% of the Consideration, bearing an interest rate of 3% p.a.. The maturity date of the promissory note will be the date falling after 60 months from the date of issue of the promissory note. The promissory note is transferable, subject to prior written approval of the Company. The Company may, by giving of not less than 7 Business Days' prior notice in writing to the Vendor, redeem the whole or any part of the promissory note before the maturity date.

Basis of the determination of the Consideration:

The Consideration was determined after arm's length negotiations between the Group and the Vendor with reference to the aggregate unaudited net assets of the Target Company as at 31 March 2024 (the "**Reference Date**") of approximately HK\$467,492,748, taking into account (i) the appraised value of the Properties and the Remaining Properties as at 26 February 2024 of approximately JPY71,793,000,000 (equivalent to approximately HK\$3,805,029,000), (ii) the aggregate unaudited total current assets of the Target Subsidiaries of approximately JPY1,360,236,280 (equivalent to approximately HK\$72,092,523) (the "**Current Assets**"), and (iii) the aggregate unaudited total liabilities of the Target Subsidiaries of approximately JPY64,332,618,400 (equivalent to approximately HK\$3,409,628,775) (the "**Total Liabilities**").

The Directors (excluding the independent non-executive Directors whose opinion will be subject to the advice of the Independent Financial Advisor) consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**Adjustment of
Consideration:**

Where the Currents Assets have decreased and/or the Total Liabilities have increased from the Reference Date to the date of Completion (as the case may be), the final Consideration shall be adjusted on the date of Completion (immediately prior to Completion) by the subtraction of the difference of the Current Assets and/or the subtraction of the difference of the Total Liabilities between the date of Completion and the Reference Date (as the case may be).

Conditions precedent

Completion is conditional upon:

- (a) the Purchaser having been satisfied with the results of such enquiries, investigations and due diligence reviews of the business, affairs, operations, assets, legal, tax and financial position of the Target Company (including but not limited to showing, giving and proving the Target Subsidiaries' good title to the Properties and the Remaining Properties);
- (b) the Purchaser having obtained a valuation report, from an independent valuer designated by the Purchaser, of the Properties with a value of not less than JPY70,000,000,000;
- (c) the transfer of the Remaining Properties to one or more of the Target Subsidiaries having been completed;
- (d) the Target Subsidiaries have proved and given good title to the Properties and Remaining Properties in accordance with the relevant laws governing the title and ownership of landed properties in Japan, and that there is no Encumbrances on the Properties and the Remaining Properties;
- (e) the transactions contemplated under the Agreement do not constitute a "reverse takeover" transaction as defined under Rule 14.06B of the Listing Rules;
- (f) the passing by the Independent Shareholders at the SGM by poll of an ordinary resolution to approve the transactions contemplated under the Agreement as required by the Listing Rules and the applicable laws and regulations and such approval remaining valid and effective and not being subsequently revoked prior to the Completion Date;
- (g) all requisite approvals, consents and waivers required to be obtained by the Vendor, the Purchaser, the Target Company and each of the Target Subsidiaries in respect of the entering into of the Agreement and the implementation of the transactions contemplated hereunder having been obtained and remaining in full force and effect, with full compliance of all applicable laws and regulations (including but not limited to the Listing Rules);

- (h) the provision of written documents by the Vendor to the Purchaser certifying that all necessary third-party consents and permissions for conducting the transactions contemplated under the Agreement have been obtained;
- (i) the Vendor shall provide the Purchaser with a legal opinion (the “**Legal Opinion**”) issued by a qualified Japanese lawyer, acceptable to the Purchaser, confirming the following:
 - (i) the status of the Vendor’s ownership and title to the entire equity interest in the Target Company and the Target Subsidiaries, including any encumbrances, liens, claims, or other matters that may affect the Vendor’s ability to transfer clear and marketable title of the Sale Shares to the Purchaser; and
 - (ii) the status of the Target Subsidiaries’ ownership and title to the Properties, including any encumbrances, liens, claims, or other matters that may affect the Target Subsidiaries’ ability to hold clear and marketable title of and in the Properties and the Remaining Properties;
- (j) there shall have been no material adverse effect with respect to the Target Group during the period up to Completion, save and except (if any) those having been disclosed to the Purchaser by virtue of the Agreement and subject to which the transaction contemplated under the Agreement is to be completed;
- (k) the representations and warranties of the Vendor shall have been true and correct on the date of the Agreement and true and correct in all material respects on and as of the date of Completion (except as disclosed prior to the date of the Agreement);
- (l) the Vendor shall have performed and complied in all material respects with all, and not be in breach of or default in any material respects under any agreements, covenants, conditions and obligations contained in the Agreement that are required to be performed or complied with on or before Completion;
- (m) no government authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any law that is in effect and restrains, enjoins, prevents, prohibits or otherwise makes illegal the consummation of the transactions contemplated by the Agreement; and
- (n) no action, suit, proceedings or investigations shall have been instituted or threatened by a government authority of competent jurisdiction or any third party that seeks to restrain, enjoin, prevent, prohibit or otherwise make illegal the consummation of the transactions contemplated by the Agreement.

The Purchaser may at its absolute discretion waive all or any of the conditions set out except for paragraphs (e), (f) and (g). If any of the conditions precedent set out have not been fulfilled or waived (where appropriate) on or before the Completion Date, the Purchaser may terminate the Agreement whereupon the Agreement shall become null and void and of no further effect.

Completion

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group's consolidated financial statements.

INFORMATION OF THE TARGET COMPANY

The Target Company is an investment holding company incorporated in the British Virgin Islands, which is owned as to 100% by the Vendor. The Target Company is the legal and beneficial owner of the entire issued shares of the Target Subsidiaries.

Each of the Target Subsidiaries is a limited company incorporated under the laws of Japan and is owned as to 100% by the Target Company. They are principally engaged in property holding.

As at the date of this announcement, the Target Subsidiaries collectively are the legal and beneficial owner of the Properties and are in the course of acquiring the Remaining Properties.

Information on the Properties and the Remaining Properties

The Properties and the Remaining Properties are located in Kusoge, Narita City, Tokyo, Japan. The total site area of the Properties and the Remaining Properties are approximately 68,317.44 square meter. The Properties and the Remaining Properties are vacant residential land. It is intended that the Properties and the Remaining Properties will be utilized for the development of hotel accommodation.

Financial information

As the Target Company is newly incorporated on 21 May 2024, no financial information for the past two financial years is available as at the date of this announcement. The Target Company has no business operation and other material assets and liabilities since its incorporation other than acquiring the Target Subsidiaries.

Set out below is the aggregate unaudited financial information of the Target Subsidiaries for the year ended 31 March 2022, 2023 and 2024:-

	For the year ended 31 March 2022 JPY\$ (unaudited)	For the year ended 31 March 2023 JPY\$ (unaudited)	For the year ended 31 March 2024 JPY\$ (unaudited)
Revenue	480,000	480,000	440,002
Net loss (before tax)	(259,551,478)	(5,610,292,688)	(6,707,959,390)
Net loss (after tax)	(259,907,678)	(5,610,572,688)	(6,707,959,390)

The aggregate unaudited net assets of the Target Subsidiaries as at 31 January 2024 was approximately HK\$441,030,894.

INFORMATION ON THE GROUP AND THE PURCHASER

The Group is principally engaged in property development and property investment business in the PRC and Hong Kong.

The Purchaser is a wholly-owned subsidiary of the Company, a company with limited liability incorporated under the laws of the British Virgin Islands. The principal activity of the Purchaser is investment holding.

INFORMATION ON THE VENDOR

The Vendor is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. The Vendor is wholly-owned by Kyosei Bank Co., Limited, which is wholly-owned by Mr. Yanase Kenichi, a controlling shareholder of the Company. The sole director of the Vendor is Mr. Hiroshi Kaneko, the executive Director of the Company. As such, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Properties and the Remaining Properties are located at Narita, Tokyo, having proximity to Narita Airport, Tokyo, which is the most important international traffic hub of Japan.

The Group, having ample experience in residential and commercial property development, intends to develop the Properties and the Remaining Properties into hotel accommodation, which would become a long term and stable source of income to the Group. The investment in hotel accommodation business could also diversify the income source of the Group, thereby strengthening the core competitiveness of the Group.

The Board (excluding the independent non-executive Directors whose opinions will be set forth in the circular of the Company after having been advised by the Independent Financial Adviser) is of the view that the Acquisition is in the ordinary and usual course of business of the Group, and terms of the Agreement are fair and reasonable and the Acquisition is in the interests of the Group and its shareholders as a whole.

Mr. Hiroshi Kaneko, the executive Director of the Company, is the sole director of the Vendor and is deemed to have a material interest in the transactions contemplated under the Acquisition, and has abstained from voting at the Board in approving the Acquisition and the transactions contemplated thereunder. Save as disclosed, none of the Directors has a material interest in the transactions contemplated under the Acquisition and the transactions contemplated thereunder and none of them is required to abstain, or has abstained, from voting on the relevant board resolutions approving the Acquisition and the transactions contemplated thereunder.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 25% but all of the applicable percentage ratios are less than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the reporting, announcement and Shareholder's approval requirements under Chapter 14 of the Listing Rules.

The Target Company is wholly-owned by the Vendor, which is wholly owned by Kyosei Bank. Kyosei Bank is wholly-owned by Mr. Yanase Kenichi, a controlling shareholder of the Company, who is interested as to 994,019,402 Shares, representing approximately 69.97% of the total issued Shares. As such, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, and is therefore subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In accordance with the Listing Rules, any Shareholder who has a material interest in the Agreement shall abstain from voting on the resolution to approve the Agreement at the SGM. As at the date of this announcement, Mr. Yanase Kenichi is the 100% indirect shareholder of the Target Company. As such, Mr. Yanase Kenichi will be required to abstain from voting on the relevant resolutions at the SGM. Save as disclosed above, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no other Shareholder has a material interest in the Agreement and will be required to abstain from voting on the relevant resolution to approve the Agreement at the SGM.

GENERAL

An Independent Board Committee comprising all of the independent non-executive Directors will be formed to advise the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder. Nuada Limited has been appointed as the Independent Financial Advisor to make recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Agreement and the transactions contemplated thereunder; (ii) the recommendations of the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders; (iv) the financial information of the Target Company; (v) the unaudited proforma financial information of the enlarged Group; (vi) the Valuation Report; and (vii) a notice convening the SGM will be despatched to the Shareholders as soon as practicable. In view of the time required for the Company to prepare and finalise certain information to be included in the circular, it is expected that the circular and the notice convening the SGM will be despatched to the Shareholders on or before 31 July 2024.

The Acquisition is subject to the satisfaction or waiver (as the case may be) of the conditions precedent as set out in the Agreement and may or may not proceed to Completion. Shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the terms of the Agreement
“Agreement”	the sale and purchase agreement dated 13 June 2024 and entered into between the Purchaser and the Vendor for the Acquisition
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Japan Kyosei Group Company Limited (日本共生集團有限公司), a company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange (Stock Code: 627)
“Completion”	completion of the sale and purchase of the Sale Shares
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of HK\$400,000,000 payable by the Purchaser to the Vendor for the Acquisition
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China

“Independent Board Committee”	an independent committee of the Board (which comprises all the independent non-executive Directors) established to advise the Independent Shareholders with regard to the Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Nuada Limited, a licensed corporation under the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders who are not required to abstain from voting under the Listing Rules at the SGM on the ordinary resolution for approving the Agreement and the transactions contemplated thereunder
“Independent Third Party(ies)”	person(s) or company(ies) which is/are independent of and not connected with any Directors, chief executives, the controlling shareholders and the substantial shareholders of the Company, and the directors and shareholders of any other member of the Group, and their respective associates
“JPY”	Japanese Yen, the lawful currency of Japan
“Kyosei Bank”	Kyosei Bank Inc.* (共生バンク株式会社), a connected person of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Properties”	certain vacant and residential properties located in Kusoge, Narita City, Tokyo, Japan in the area of approximately 51,591.36 square meters, collectively owned by the Target Subsidiaries
“Purchaser”	River Moder Limited, a company incorporated in British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company

“Remaining Properties”	certain vacant and residential properties located in Kusoge, Narita City, Tokyo, Japan in the area of approximately 16,726.08 square meters, to be acquired by one or more of the Target Subsidiaries
“Sale Shares”	the entire issued shares of the Target Company owned by the Vendor
“SGM”	the special general meeting of the Company to be held to consider and approve, among others, the Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	River Bar Limited, a company limited by shares incorporated in accordance with the laws of the British Virgin Islands
“Target Group”	collectively, the Target Company together with the Target Subsidiaries
“Target Subsidiaries”	collectively, <ul style="list-style-type: none"> (1) Narita Gateway Project Number 3 Inc.* (成田ゲートウェイプロジェクト3号株式会社); (2) Narita Gateway Project Number 4 Inc* (成田ゲートウェイプロジェクト4号株式会社); (3) Narita Gateway Project Number 5 Inc.* (成田ゲートウェイプロジェクト5号株式会社); and (4) Narita Gateway Project Number 6 Inc.* (成田ゲートウェイプロジェクト6号株式会社) <p>all of which are companies limited by shares incorporated in accordance with the laws of Japan</p>

“Vendor”

Speed Sword Limited, a connected person of the Company

“%”

per cent.

By order of the Board
JAPAN KYOSEI GROUP COMPANY LIMITED
Dr. Hiroshi Kaneko
Executive Director and Chief Executive Officer

Hong Kong, 13 June 2024

As at the date of this announcement, the Board comprises one executive Director, namely Dr. Hiroshi Kaneko, one non-executive Director, namely Mr. Chung Ho Wai Alan, and three independent non-executive Directors, namely Mr. Huang Zhongquan, Ms. Tang Ying Sum and Ms. Ha Sze Wan.