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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)

(1) POLL RESULTS OF THE 2024 ANNUAL GENERAL MEETING AND (2) CONNECTED TRANSACTIONS – PROVISION OF REFUNDABLE DEPOSITS

(1) POLL RESULTS OF THE AGM

Reference is made to the circular (the “**Circular**”) and notice of annual general meeting (the “**Notice of 2024 AGM**”) of the Company both dated 29 April 2024.

The Board is pleased to announce that all the resolutions as set out in the Notice of 2024 AGM (the “**Resolutions**”) were duly passed by the Shareholders by way of poll at the AGM held on 27 June 2024.

As at the date of the AGM, the total of number of Shares in issue was 1,420,673,262 Shares, which was also the total number of Shares entitling the Shareholders to attend and vote for or against the Resolutions at the AGM. There were no restrictions on any Shareholders to cast votes on any of the following Resolutions at the AGM. There were no Shares entitling the holders to attend and abstain from voting in favour of the Resolutions at the AGM pursuant to Rule 13.40 of the Listing Rules. There was no Shareholder that was required under the Listing Rules to abstain from voting at the AGM or stated his/her/its intention in the Circular to vote against or to abstain from voting on any Resolutions at the AGM.

Union Registrars Limited, the branch share registrar and transfer office of the Company in Hong Kong, was appointed as the scrutineer for the vote-taking at the AGM.

The poll results in respect of the Resolutions are as follows:

ORDINARY RESOLUTIONS		NUMBER OF VOTES	
		For	Against
1.	To receive and adopt the audited consolidated financial statements and the reports of the Directors and the auditors of the Company for the year ended 31 December 2023.	994,019,408 (99.999997%)	28 (0.000003%)
2.	(i) To re-elect each as a separate resolution, the following Directors:		
	(a) Dr. Hiroshi Kaneko, as an executive Director;	994,019,408 (99.999997%)	28 (0.000003%)
	(b) Mr. Chung Ho Wai Alan, as a non- executive Director;	994,019,408 (99.999997%)	28 (0.000003%)
	(c) Mr. Huang Zhongquan, as an independent non-executive Director;	994,019,408 (99.999997%)	28 (0.000003%)
	(d) Ms. Tang Ying Sum, as an independent non-executive Director;	994,019,408 (99.999997%)	28 (0.000003%)
	(e) Ms. Ha Sze Wan, as an independent non-executive Director; and	994,019,408 (99.999997%)	28 (0.000003%)
	(ii) To authorize the board of Directors to fix the Directors' remuneration.	994,019,408 (99.999997%)	28 (0.000003%)
3.	To re-appoint PKF Hong Kong Limited as the auditors of the Company and authorise the board of Directors to fix the auditor's remuneration.	994,019,408 (99.999997%)	28 (0.000003%)
4.	To grant a general and unconditional mandate to the Directors to repurchase Shares of the Company for a total number of not exceeding 10% of the total number of the issued Shares of the Company as at the date of passing this resolution.	994,019,408 (99.999997%)	28 (0.000003%)

ORDINARY RESOLUTIONS		NUMBER OF VOTES	
		For	Against
5.	To grant a general and unconditional mandate to the Directors to allot, issue and deal with additional Shares of the Company for a total number of not exceeding 20% of the total number of issued Shares of the Company as at the date of passing this resolution.	994,019,408 (99.999997%)	28 (0.000003%)
6.	To extend the general and unconditional mandate granted to the Directors under resolution no. 5 above by a number representing the number of the issued shares of the Company repurchased by the Company pursuant to general mandate under resolution no. 4 above.	994,019,408 (99.999997%)	28 (0.000003%)

Note: The number of Shares and percentage of the voting as stated above are based on the total number of Shares held by the Shareholders who attended and voted at the AGM in person, by authorised corporate representative or by proxy.

All Directors attended the AGM in person or by means of electronic communication.

As more than 50% of the votes were cast in favour of each of the Resolutions numbered 1 to 6, all such Resolutions were duly passed by the Shareholders as ordinary resolutions of the Company.

(2) CONNECTED TRANSACTIONS – PROVISION OF REFUNDABLE DEPOSITS

Provisions of Refundable Deposits

Since 27 June 2019, the Group has made certain Refundable Deposits to 5 of the non-controlling shareholders of the Company's subsidiaries for the purpose of making expenses payment to various local contractors, suppliers, local government and authorities on behalf of the Company for the Group's property development projects in the PRC.

As at 31 December 2023, the Company had amounts due from non-controlling shareholders in respective subsidiaries of the Company of RMB240,522,000 (2022: RMB284,362,000). Relevant disclosures have been made in the annual report of the Company for the year ended 31 December 2023 published on 29 April 2024.

The Non-Controlling Shareholders in Respective Subsidiaries of the Company

A. *Qingyuan Yaowu Building Decoration Engineering Co., Ltd.** (清遠市耀武建築裝飾工程有限公司) (“**Qingyuan Yaowu**”)

Qingyuan Yaowu is a limited liability company established under the laws of the PRC on 16 January 2019, and its principal businesses include but not limited to the trading of construction materials. As of the date of this announcement and 31 December 2023, Qingyuan Yaowu owns 29% of one of the Company’s PRC subsidiaries, namely Guangzhou Pinli Trading Co. Ltd.* (廣州品禮貿易有限公司).

As at 31 December 2023, the amount due from Qingyuan Yaowu to the Company was approximately RMB109,438,000.

B. *Fuzhou Phoenix Times Enterprise Management Co. Ltd.** (福州市鳳凰時代企業管理有限公司) (“**Fuzhou Phoenix**”)

Fuzhou Phoenix is a limited liability company established under the laws of the PRC on 19 September 2016, and its principal businesses include but not limited to properties development and construction project management. As of the date of this announcement and 31 December 2023, Fuzhou Phoenix owns 33% of one of the Company’s PRC subsidiaries, namely Ningde Bisheng Property Development Co. Ltd.* (寧德市碧晟房地產開發有限公司).

As at 31 December 2023, the amount due from Fuzhou Phoenix to the Company was approximately RMB50,295,000.

C. *Fujian Kaiding Investment Development Co. Ltd.** (福建凱鼎投資發展有限公司) (“**Fujian Kaiding**”)

Fujian Kaiding is a limited liability company established under the laws of the PRC on 25 September 2017, and its principal businesses include but not limited to properties development, leasing of land use rights, construction projects design and management. As of the date of this announcement and 31 December 2023, Fujian Kaiding owns 25.1% of one of the Company’s PRC subsidiaries, namely Ningde Bisheng Property Development Co. Ltd.* (寧德市碧晟房地產開發有限公司).

As at 31 December 2023, the amount due from Fujian Kaiding to the Company was approximately RMB37,789,000.

D. *Fujian Shangding Trading Co. Ltd.* (福建上鼎貿易有限公司) (“Fujian Shangding”)*

Fujian Shangding is a limited liability company established under the laws of the PRC on 5 July 2013, and its principal businesses include but not limited to trading of construction materials and properties investment projects. As of the date of this announcement and 31 December 2023, Fujian Shangding owns 7.9% of one of the Company’s PRC subsidiaries, namely Ningde Bisheng Property Development Co. Ltd.* (寧德市碧晟房地產開發有限公司).

As at 31 December 2023, the amount due from Fujian Shangding to the Company was approximately RMB12,132,000.

E. *Platinum International (China) Investment Co. Ltd.* (中鉑國際(中國)投資有限公司) (“Platinum International”)*

Platinum International is a limited liability company established under the Hong Kong Company Ordinance on 20 January 2012, and its principal businesses include but not limited to trading of construction material and, properties investment and development projects through its subsidiaries in the PRC. As of the date of this announcement and 31 December 2023, Platinum International owns 25% of one of the Company’s PRC subsidiaries, namely Jiaying Platinum Property Co. Ltd.* (嘉興市鉑金置業有限公司).

As at 31 December 2023, the amount due from Platinum International to the Company was approximately RMB30,868,000.

Information about the Company

The Company is incorporated in Bermuda as a limited liability company. The principal activity of the Company is investment holding and the principal activities of its subsidiaries and joint venture are principally engaged in property development and property investment business.

Reasons for and Benefits of the Refundable Deposits

The amounts due from non-controlling shareholders in respective subsidiaries of the Company represent the Refundable Deposits that can only be used by the non-controlling shareholders in respective subsidiaries of the Company for expenses payment such as payments to various local contractors, suppliers and, local government and authorities in the PRC on behalf of the Company. The non-controlling shareholders in respective subsidiaries of the Company shall not utilise the Refundable Deposits for other purposes without written consent of the Company. The Refundable Deposits are unsecured, interest-free and repayable on demand. The non-controlling shareholders in respective subsidiaries of the Company should refund all the remaining balance of the Refundable Deposits to the Company upon instructions from the Company.

The non-controlling shareholders are established local enterprises that well equipped with their own networks, resources and connections with various local government departments and authorities, construction materials and transportation suppliers, local landowners and other properties/land developers (i.e. independent third parties to the Group) etc. In order to enter the local properties market in Shanghai City, Changsha City, Fujian Province and Guangdong Province in previous years, it is critical for the Group to rely on the experiences and connections of these non-controlling shareholders to carry out certain business activities on behalf of the Group including but not limited to line up and negotiation with various parties, making payments to various construction/land suppliers, local government and authorities on a timely manner to drive the progress and during the development stage for various properties projects.

The arrangement of provision of Refundable Deposits adopted by the Group demonstrates the business model with advantages in engaging properties business in local market that the non-controlling shareholders (with local bargaining power as well as knowledge on the local market in obtaining the first-hand information on the local properties development and respective changes in law and regulations). In particular, such arrangement would stipulate the negotiation and streamlining the process for the suppliers and sub-contractors (including but not limited to construction materials, transportation, marketing etc.) and the local government authorities. Those non-controlling shareholders could assist the Company in examination of construction process and qualities before processing payment to suppliers and sub-contractors, respond in any payments at a fast pace in response to any dispute and build business relationship with local suppliers and government authorities that guarantee the Group to meet relevant regulatory compliance requirements.

The provision of Refundable Deposits is an established business practice which allows the Group with flexibility through delegation of duties, saves local management's effort to build relationships and trust in-depth knowledge of the local market. The non-controlling shareholders of the Company's subsidiaries are also entitled to the profit sharing and dividends in respective subsidiaries.

As such, the Refundable Deposits would be transferred to the non-controlling shareholders, as payment agents on behalf of the Company's operating subsidiaries, for business purpose under normal course of business. The Company's operating subsidiaries would instruct these non-controlling shareholders to make necessary payments to those construction/land suppliers etc for the Group's business purpose.

The Group will periodically review the utilisation and recoverability of the funds with respect of the project's development status as well as the repayment abilities of the non-controlling shareholders, including but not limited to obtaining the latest financial statements to assess their financial position and performance for returning the funds. The suppliers and government authorities would normally inform those non-controlling shareholders in advance before issuing invoices or any required payment to various local parties. The non-controlling shareholders would then verbally inform the local management of respective subsidiaries for making payments directly to those independent third parties. To ensure the discharge of the Group's obligations, the local management would periodically review the accounts payables with ageing analysis and referenced with supplier's monthly statements or other supporting documents such that the payments are properly made from the non-controlling shareholders directly to the suppliers. The Group also take into accounts of the net assets value and profits of respective subsidiaries that are attributable to the non-controlling shareholders in the credit assessment as these portion of net assets value and profits could reduce the loss given default arising from the credit losses.

The Group is of the view that the Refundable Deposits are in the ordinary and usual course of business of the Group, given that the role of non-controlling shareholders in respective subsidiaries of the Company as payment agents of the Group is a necessary component of the Group's business in facilitating the development of local property market in the PRC.

Financial Effect of the provision of Refundable Deposits

The Refundable Deposits is presented as amounts due from non-controlling shareholders in the Group's consolidated statement of financial position since year ended 31 December 2019 and subject to impairment assessment under expected credit loss ("ECL") model in accordance with Hong Kong Financial Reporting Standards 9 "Financial Instruments". The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. The respective accounting policies and financial impact on ECL have been disclosed in the annual reports of the Company since the year ended 31 December 2019.

Listing Rules Implications

The provision of the Refundable Deposits to the non-controlling shareholders of the Company's subsidiaries constituted connected transactions of the Company under Chapter 14A of the Listing Rules. None of the Directors has or is deemed to have a material interest in the Refundable Deposits.

As the highest applicable percentage ratios in relation to the provision of Refundable Deposits to each individual on-controlling shareholder of the Company's subsidiaries is more than 0.1% but less than 5%, the provision of the Refundable Deposits and the transactions contemplated are subject to the reporting and announcement requirements but is exempted from the circular (including independent financial advice) and shareholders' approval requirement for the Company under Chapter 14A of the Listing Rules.

By virtue of Rule 14A.101 of the Listing Rules, since (1) all the relevant non-controlling shareholders of the Company's subsidiaries is a connected person at the subsidiary level, (2) the Board has approved the provision of the Refundable Deposits; and (3) the independent non-executive Directors have confirmed that the terms of the provision of the Refundable Deposits are fair and reasonable and the provision of Refundable Deposits is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the provision of Refundable Deposits is subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Non-Compliance with the Listing Rules

The Company did not recognise that the Refundable Deposits should be treated as provision of financial assistance to the above-mentioned non-controlling shareholders and constituted "connected transactions" pursuant to Chapter 14A of the Listing Rules at the time when the Company placed the Refundable Deposits. Accordingly, due to the Company's inadvertent oversight of the nature of the Refundable Deposits and misunderstanding that such arrangements were purely a customary industrial practice and did not constitute a "transaction" by itself, the Company has failed to comply with the reporting and announcement requirements under Chapter 14A of the Listing Rules in relation to the Refundable Deposits.

Remedial Actions

In view of the non-compliance with the Listing Rules as mentioned above, the Company and the new Board of Directors have taken or will take certain actions including the followings:

- (i) All the Directors will receive a special training session on the regulatory and compliance requirements under the Listing Rules, in particular, the disclosures and approval requirements under Chapters 14 and 14A of the Listing Rules, provided by the Hong Kong legal advisors of the Company;
- (ii) The Company publishes this announcement in relation to the Refundable Deposits and its respective Listing Rules implications to inform and provide relevant details to the Shareholders; and
- (iii) going forward, the Company will actively involve its professional advisors, including its legal advisors, in reviewing significant transactions with related parties to prevent non-compliance of a similar nature. The Company will also strictly control the internal process regarding compliance and risk control matters of its businesses, thereby avoiding the re-occurrence of similar incidents.

To safeguard the interests of the Group and the Shareholders as a whole, the Group has adopted and will continue to adhere to the following internal control procedures:

- (a) providing continuous internal trainings on notifiable and/or connected transactions to all the relevant personnel, accounting staff, internal auditor and senior management in all business departments of members of the Group on a regular basis to reinforce and re-explain the relevant requirements under Chapters 14 and 14A of the Listing Rules;
- (b) reporting any potential notifiable and/or connected transaction(s) to the relevant personnel and senior management of the Company in advance in order to ascertain whether there will be any implications under the Listing Rules; and
- (c) for any potential transaction(s) which may constitute new notifiable and/or connected transaction(s) of the Group, consulting professional advisors and the Stock Exchange (where necessary) in a timely manner prior to entering into such transaction(s).

In order to ensure proper compliance with the Listing Rules in the future, the Company and the new Board of Directors are in the process of reviewing and enhancing the Group’s internal control measures to ensure that all transactions are properly disclosed under Chapters 14 and/or 14A of the Listing Rules.

The Company and the new Board of Directors will continue to comply with the requirements under the Listing Rules, carry out relevant corporate governance procedures and make appropriate disclosure in a timely manner to ensure compliance with the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the same meanings set out below unless the context otherwise requires:

“Company”	Japan Kyosei Group Company Limited (日本共生集團有限公司), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange (Stock Code: 627)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Fujian Kaiding”	Fujian Kaiding Investment Development Co. Ltd.* (福建凱鼎投資發展有限公司)
“Fujian Shangding”	Fujian Shangding Trading Co. Ltd.* (福建上鼎貿易有限公司)
“Fuzhou Phoenix”	Fuzhou Phoenix Times Enterprise Management Co. Ltd.* (福州市鳳凰時代企業管理有限公司)
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Platinum International”	Platinum International (China) Investment Co. Ltd* (中鉑國際(中國)投資有限公司)
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Qingyuan Yaowu”	Qingyuan Yaowu Building Decoration Engineering Co., Ltd.* (清遠市耀武建築裝飾工程有限公司)
“Refundable Deposits”	the refundable deposits that can only be used by the non-controlling shareholders of the respective subsidiaries of the Company for expenses payment such as payments to various local contractors, suppliers and, local government and authorities in the PRC on behalf of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“the new Board of Directors”	the board of Directors comprising Directors appointed on 26 July 2023
“%”	per cent

By order of the Board
Japan Kyosei Group Company Limited
Dr. Hiroshi Kaneko

Executive Director and Chief Executive Officer

Hong Kong, 27 June 2024

As of 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.

* For identification purposes only