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NIRAKU GC HOLDINGS

株式会社ニラク・ジー・シー・ホールディングス

NIRAKU GC HOLDINGS, INC.*

(Incorporated in Japan with limited liability)

(Stock Code: 1245)

**MAJOR TRANSACTION
IN RELATION TO DISPOSAL OF PROPERTIES**

THE DISPOSAL

The Board is pleased to announce that on 29 October 2019 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor will sell and the Purchaser will purchase the Properties for a consideration of JPY1,985 million (inclusive of 10% value added tax) (equivalent to approximately HK\$144.2 million). Upon completion of the Disposal, the Tenant and the Purchaser will enter into the Lease Agreement for the continuous operation of pachinko hall by the Tenant at the Properties after the Disposal.

GENERAL

As one of the applicable percentages (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders or any of their respective associates has a material interest in the Disposal, thus no Shareholders is required to abstain from voting for the resolution if the Company were to convene an extraordinary general meeting to approve the Disposal. The Taniguchi Consortium, the controlling shareholder group of the Company, which is interested in 821,280,460 Shares, representing approximately 68.7% of issued Shares as at the date of this announcement, has approved the Disposal by a written Shareholders' approval pursuant to Rule 14.44 of the Listing Rules in lieu of a resolution to be passed at a general meeting of the Company.

* for identification purpose only

Pursuant to Rule 14.41(a) of the Listing Rules, the Company is required to despatch a circular containing, amongst other things, details of the Disposal, to the Shareholders within 15 business days after the publication of this announcement, which is on or before 19 November 2019. Given that additional time is required for the Company to prepare and finalise the financial information of the Group to be included in the circular, the Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules. The circular is expected to be despatched to the Shareholders on or before 26 November 2019.

INTRODUCTION

The Board is pleased to announce that on 29 October 2019 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor will sell and the Purchaser will purchase the Properties for a consideration of JPY1,985 million (inclusive of 10% value added tax) (equivalent to approximately HK\$144.2 million). Upon completion of the Disposal, the Tenant and the Purchaser will enter into the Lease Agreement for the continuous operation of pachinko hall by the Tenant at the Properties after the Disposal.

SALE AND PURCHASE AGREEMENT

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

Date : 29 October 2019

Parties : Vendor

Nexia Inc., an indirectly wholly-owned subsidiary of the Company

Purchaser

Daichi Bussan Co., Ltd.* (株式会社大地物産) (1-16-1 Saikon, Koriyama City, Fukushima Prefecture)

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

Properties to be disposed of : Land of Nos. 204-2 and 26 other tracts, Mukaigawara, Koriyama-shi, Fukushima with total area of 5,313.85 tsubo (approximately 17,566.42 square meters)

Building with its location of Nos. 253, 211-1, 252-1, 254, 255 Mukaigawara, Koriyama-shi, Fukushima with total floor area of 512.45 tsubo (approximately 1,694.04 square meters)

Land of Nos. 239-1 and other 3 tracts, Mukaigawara, Koriyama-shi, Fukushima with total area of 575.34 tsubo (approximately 1,901.94 square meters)

Building with its location of No. 240-1 Mukaigawara, Koriyama-shi, Fukushima with total floor area of 70.99 tsubo (approximately 234.71 square meters)

Consideration : JPY1,985 million (inclusive of 10% value added tax) (equivalent to approximately HK\$144.2 million)

The preliminary valuation of the Properties is approximately JPY1,665 million (equivalent to approximately HK\$120.9 million).

The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser with reference to the rental yield for leasing of the Property, the recent transactions of similar types of properties in the market and the preliminary valuation of the Properties indicated by an independent property valuer.

Terms of payment : Lump-sum payment as of 27 November 2019

Completion : Completion is expected to take place on 27 November 2019

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

The net proceeds arising from the Disposal of approximately JPY1,525 million (equivalent to approximately HK\$110.7 million) (after deducting tax and other expenses in relation to the Disposal) will be used for repaying bank loans of the Group.

Based on, inter alia, the Consideration, the unaudited carrying value of the Properties as at 30 September 2019, and the related expenses for the Disposal, the Group currently expects to record a gain on disposal of approximately JPY1,194 million (equivalent to approximately HK\$86.7 million) upon Completion.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Properties are currently occupied by the Tenant for pachinko hall operation, namely the Bijyutukan-Dori store and the Gust Mukaigawara store. The Group acquired the Properties at JPY882 million (equivalent to approximately HK\$64.1 million) on 15 October 2009. The unaudited carrying value of the Property was approximately JPY786 million (equivalent to approximately HK\$57.1 million) as at 30 September 2019.

The Directors believe that the Disposal represents a good opportunity for the Company to realise the value of the Properties at a reasonable price and the proceeds from the Disposal will improve the financial position and increase the general working capital of the Group.

The terms of the Sale and Purchase Agreement were arrived at by the Vendor and the Purchaser after arm's length negotiation. The Directors, including the independent non-executive Directors, consider that the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP AND THE PURCHASER

The Group is principally engaged in the business of pachinko hall operation.

To the knowledge of the Directors, the Purchaser is principally engaged in real estate development/investment business.

GENERAL

As one of the applicable percentages (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders or any of their respective associates have a material interest in the Disposal, thus no Shareholders are required to abstain from voting for the resolution if the Company were to convene an extraordinary general meeting to approve the Disposal. The Taniguchi Consortium, the controlling shareholder group of the Company, which is interested in 821,280,460 Shares, representing approximately 68.7% of issued Shares as at the date of this announcement, has approved the Disposal by a written Shareholders' approval pursuant to Rule 14.44 of the Listing Rules in lieu of a resolution to be passed at a general meeting of the Company.

Pursuant to Rule 14.41(a) of the Listing Rules, the Company is required to despatch a circular containing, amongst other things, details of the Disposal, to the Shareholders within 15 business days after the publication of this announcement, which is on or before 19 November 2019. Given that additional time is required for the Company to prepare and finalise the financial information of the Group to be included in the circular, the Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules. The circular is expected to be despatched to the Shareholders on or before 26 November 2019.

DEFINITIONS

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

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| "associate(s)" | has the meaning as ascribed thereto under the Listing Rules; |
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| “Board” | the board of the Director(s); |
| “Company” | NIRAKU GC HOLDINGS, INC.* (株式会社ニラク・ジー・シー・ホールディングス), which is a stock company* (株式会社) incorporated in Japan with limited liability, the shares of which are listed on the Main Board of the Stock Exchange; |
| “Completion” | completion of the Disposal; |
| “connected person(s)” | has the meaning as ascribed thereto under the Listing Rules; |
| “Consideration” | the consideration of JPY1,985 million (inclusive of 10% value added tax) (equivalent to approximately HK\$144.2 million) for the sale and purchase of the Properties; |
| “controlling shareholder” | has the meaning as ascribed thereto under the Listing Rules; |
| “Director(s)” | the director(s) of the Company; |
| “Disposal” | the sale of the Properties contemplated under the Sale and Purchase Agreement; |
| “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; |
| “JPY”, “¥” or “Yen” | Japanese Yen, the lawful currency of Japan; |
| “Lease Agreement” | the lease agreement to be entered into between the Tenant and the Purchaser; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “Properties” | Land of Nos. 204-2 and 26 other tracts, Mukaigawara, Koriyama-shi, Fukushima with total area of 5,313.85 tsubo* (approximately 17,566.42 square meters); Building with its location of Nos. 253, 211-1, 252-1, 254, 255 Mukaigawara, Koriyama-shi, Fukushima with total floor area of 512.45 tsubo (approximately 1,694.04 square meters); |

Land of Nos. 239-1 and other 3 tracts, Mukaigawara, Koriyama-shi, Fukushima with total area of 575.34 tsubo (approximately 1,901.94 square meters);

Building with its location of No. 240-1 Mukaigawara, Koriyama-shi, Fukushima with total floor area of 70.99 tsubo (approximately 234.71 square meters);

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| “Purchaser” | Daichi Bussan Co., Ltd.* (株式会社大地物産), a company incorporated in Japan with limited liability and is principally engaged in real estate development/investment business; |
| “Sale and Purchase Agreement” | the agreement for sale and purchase of the Properties entered into between the Vendor and the Purchaser on 29 October 2019; |
| “Share(s)” | common share(s)* (普通株式) in the share capital of our Company; |
| “Shareholder(s)” | the duly registered holder(s) of the Share(s); |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “subsidiary(ies)” | has the meaning as ascribed thereto under the Listing Rules; |
| “Taniguchi Consortium” | Mr. Hisanori TANIGUCHI (谷口久徳), a controlling Shareholder, an Executive Director, our Chief Executive Officer and our Chairman of the Board and a group of (1) natural persons, namely Mr. Tatsuo TANIGUCHI (谷口龍雄), Mr. Masataka TANIGUCHI (谷口晶貴), Mr. Yoshihiro TEI (鄭義弘)* (also known as Mr. JEONG Jungwung), Mr. Mitsuhiro TEI (鄭允碩), Mr. Motohiro TEI (鄭元碩), Ms. Eijun TEI (鄭盈順), Ms. Rika TEI (鄭理香) and Ms. Noriko KANESHIRO (金城徳子), each being a family member of our Chairman; and (2) corporate entities, namely Jukki Limited* (有限会社十起), Densho Limited* (有限会社伝承), Echo Limited* (有限会社エコー), Daiki Limited* (有限会社大喜), Hokuyo Kanko Limited* (有限会社北陽観光) and KAWASHIMA Co., Ltd.* (株式会社 KAWASHIMA), each being an entity controlled by the family members of our Chairman. Each member of the Taniguchi Consortium is an associate of, and a person acting in concert (as defined under the Takeovers Code) with, our Chairman of the Board and is a controlling shareholder; |
| “Takeovers Code” | the Codes on Takeovers and Mergers and Share Buy-backs; |

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| “Tenant” | Niraku Corporation, a company incorporated in Japan with limited liability and a wholly-owned subsidiary of the Company as at the date of this announcement, which is principally engaged in pachinko hall operation; |
| “tsubo” | a Japanese unit of area equal to approximately 3.31 square metres; |
| “Vendor” | Nexia Inc., a company incorporated in Japan with limited liability and an indirectly wholly-owned subsidiary of the Company as at the date of this announcement, which is principally engaged in real estate management and investment company; |
| “%” | per cent. |

() The English titles marked with “*” are unofficial English translations of the Japanese titles of natural persons, legal persons, governmental authorities, institutions, laws, rules, regulations and other entities for which no official English translation exists. These titles are for identification purpose only.*

(#) The Japanese names marked with “#” are Japanese aliases (通称名) adopted by non-Japanese residents in Japan as a second legal name which, upon registration under the Order for Enforcement of the Residential Basic Book Act* (住民基本台帳法施行規則) (Ministry of Home Affairs Regulation No. 35 of 1999) of Japan, may be used with legal force and recorded in their resident certificate* (住民票) and residential basics book card* (住民基本台帳カード). Unless otherwise marked with “#”, names of natural persons shown in this circular are legal names recorded in their passports or travel documents.*

In this announcement, certain amounts denominated in JPY are translated into HK\$ at the exchange rate shown below, but such conversions shall not be construed as representations that amounts in JPY were or may have been converted into HK\$ at such rate or any other exchange rates or at all: JPY1 = HK\$0.07262.

On behalf of the Board
株式会社ニラク・ジー・シー・ホールディングス
NIRAKU GC HOLDINGS, INC.*
Hisanori TANIGUCHI

Chairman, Executive Director and Chief Executive Officer

Fukushima, Japan, 29 October 2019

As at the date of this announcement, the executive Directors are Hisanori TANIGUCHI, Akinori OHISHI and Masataka WATANABE; the non-executive Director is Hiroshi BANNAI; and the independent non-executive Directors are Hiroaki MORITA, Michio MINAKATA, Yoshihiro KOIZUMI and Kuraji KUTSUWATA.