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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

INTERIM RESULTS HIGHLIGHTS

		(Unaudited)		
		Six months ended 30 June		
	<i>Unit</i>	2024	2023	Change
Revenue	<i>RMB million</i>	60.71	188.35	(68%)
Gross loss	<i>RMB million</i>	(63.78)	(127.01)	(50%)
Loss before taxation	<i>RMB million</i>	(332.42)	(268.87)	24%
Loss for the period	<i>RMB million</i>	(312.01)	(277.37)	12%
Basic loss per share	<i>RMB Cents</i>	(21.29)	(2.26)	842%

The board (the “**Board**”) of directors (the “**Directors**”) of Japan Kyosei Group Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2024 (the “**Period**”) together with the comparative figures for the corresponding period in 2023 (the “**Previous Period**”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	NOTES	Six months ended 30 June	
		2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Revenue	3		
Contracts with customers		60,295	188,351
Leases		417	–
Total revenue		60,712	188,351
Cost of sales		(124,493)	(315,359)
Gross loss		(63,781)	(127,008)
Other income	6	274	1,729
Other gains and losses	6	(6,279)	(3,059)
Selling and distribution expenses		(2,760)	(12,995)
Administrative expenses		(18,271)	(35,650)
Change in fair value of interests in deconsolidated subsidiaries		–	(22,714)
Impairment losses	5	(51,889)	–
Other expenses		(35)	(2,183)
Loss on disposal of a subsidiary	19	(4,315)	–
Finance costs	7	(185,365)	(66,987)
Loss before taxation		(332,421)	(268,867)
Income tax credit/(expense)	8	20,409	(8,501)
Loss for the period	9	(312,012)	(277,368)

		Six months ended 30 June	
		2024	2023
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)
Other comprehensive expense			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translating foreign operations		<u>(5,188)</u>	<u>(65,471)</u>
Total comprehensive expense for the period		<u>(317,200)</u>	<u>(342,839)</u>
Loss for the period attributable to:			
Owners of the Company		(302,399)	(256,813)
Non-controlling interests		<u>(9,613)</u>	<u>(20,555)</u>
		<u>(312,012)</u>	<u>(277,368)</u>
Total comprehensive expense for the period attributable to:			
Owners of the Company		(307,587)	(322,284)
Non-controlling interests		<u>(9,613)</u>	<u>(20,555)</u>
		<u>(317,200)</u>	<u>(342,839)</u>
Loss per share			
– Basic (<i>RMB cents</i>)	<i>11</i>	<u>(21.29)</u>	<u>(2.26)</u>
– Diluted (<i>RMB cents</i>)	<i>11</i>	<u>(21.29)</u>	<u>(2.26)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

		At 30 June 2024	At 31 December 2023
	<i>NOTES</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
Non-current Assets			
Property, plant and equipment		17,836	18,893
Right-of-use assets		19,811	20,151
Investment properties	12	578,100	578,100
Equity instrument designated at fair value through other comprehensive income		500	500
Deferred tax assets		3,349	3,258
		619,596	620,902
Current Assets			
Properties under development/properties for sale	13	2,095,709	2,292,864
Receivables and prepayments	14	3,374,806	3,377,647
Amounts due from non-controlling shareholders	15	187,151	240,522
Prepaid income tax		65,661	67,899
Restricted bank deposits		1,537	1,045
Bank balances and cash		50,493	44,011
		5,775,357	6,023,988

		At 30 June 2024	At 31 December 2023
	<i>NOTES</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
Current Liabilities			
Payables and accruals	16	5,130,528	4,974,843
Contract liabilities		267,152	317,519
Amounts due to non-controlling shareholders		–	179
Income tax payable		235,511	240,616
Borrowings – due within one year	17	1,658,187	1,657,501
		<u>7,291,378</u>	<u>7,190,658</u>
Net Current Liabilities		<u>(1,516,021)</u>	<u>(1,166,670)</u>
Total Assets Less Current Liabilities		<u>(896,425)</u>	<u>(545,768)</u>
Capital and Reserves			
Share capital	18	12,924	12,924
Reserves		(1,333,813)	(1,026,226)
Deficit attributable to owners of the Company		(1,320,889)	(1,013,302)
Non-controlling interests		257,916	300,524
Total Deficit		<u>(1,062,973)</u>	<u>(712,778)</u>
Non-current Liability			
Deferred tax liabilities		166,548	167,010
		<u>(896,425)</u>	<u>(545,768)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standards (“**HKAS**”) 34 Interim financial reporting. The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2023 and any public announcement made by the Company during the interim reporting period.

Going concern basis

The Group reported a net loss of approximately RMB312 million during the period ended 30 June 2024. As at 30 June 2024, the Group’s total deficit attributable to owners of the Company amounted to approximately RMB1,321 million and its current liabilities exceeded its current assets approximately RMB1,516 million. At the same date, the Group’s total borrowings amounted to approximately RMB1,658 million, of which approximately RMB1,614 million were collateralised by the Group’s property, plant and equipment, properties under development, properties for sale and investment properties recorded at a total carrying amount of approximately RMB1,947 million. As at 30 June 2024, the Group had total unrestricted cash and cash equivalents of approximately RMB50 million.

As at 30 June 2024, the Group was unable to repay borrowings and interest payables (the “**Defaulted Borrowings**”) from several lenders according to the repayment schedule with total principal amounts of approximately RMB1,614 million and related interest payables of approximately RMB1,175 million. As a result, the entire outstanding principal and interest payables of the Defaulted Borrowings of approximately RMB2,789 million would be immediately repayable if requested by the respective lenders. Other than these Defaulted Borrowings, other borrowings with total principal amounts of approximately RMB44 million and related interest payables of approximately RMB13 million are also repayable within one year or on demand.

Although the Group Reorganisation as detailed in the annual report for the year ended 31 December 2023 has largely alleviated the imminent financial difficulties of the Group, remaining borrowings and interest payables of the Group, together with Group’s existing financial position as at the period end and operating results for the period as disclosed in the preceding paragraph still indicates the existence of multiple uncertainties of the Group’s going concern ability. In addition, the Group retained balances with these former subsidiaries after the Group Reorganisation. As at 30 June 2024, the Group’s amounts due to former subsidiaries of approximately RMB3,136 million would fall due for immediate repayment if requested by the former subsidiaries and the SchemeCo.

These conditions, together with other matters as described above, indicate the existence of material uncertainties which may cast significant doubt about the Group’s ability to continue as a going concern.

Up to the approval date of this condensed consolidated financial information, the Group did not repay any principal and interest payables of the Defaulted Borrowings and other bank and other borrowings.

In view of such circumstances, the management of the Company has given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been or will be taken by the management to mitigate the Group's liquidity pressure and to improve its cashflows which include, but are not limited to, the following:

- a. the Group will continue its ongoing efforts to convince the lenders of the Defaulted Borrowings not to take any actions against the Group as borrower for immediate payment of the principals and interest payables of these Defaulted Borrowings;
- b. the Group is also seeking for other potential investors who are interested in co-development or acquisition of the Group's properties development projects and investment property;
- c. the Group will closely communicate with the SchemeCo for an appropriate solution to settle the balances with scheme subsidiaries in a manner in order to minimise the impact of the Groups' liquidity, including but not limited to offsetting arrangement and settlement of these balances by way of instalments;
- d. the Group has implemented measures to control administrative costs and capital expenditures; and
- e. the Group is seeking other alternative financing to fund the settlement of its existing financial obligations and future operating expenditure.

Notwithstanding the above, significant uncertainties exist as to whether the Group will be able to achieve its plan and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

- a. negotiation results with the lenders of the Defaulted Borrowings and the SchemeCo not to exercise their rights to demand immediate payment of the principals and interest payables of these borrowings and amounts due to former subsidiaries before the Group is able to secure additional new sources of funding and restructure its existing borrowing;
- b. timely securing new financing from banks and financial institutions with which the Group is actively negotiating to restructure its existing borrowings as well as the continued financing of the construction of properties. Securing new financing depends on (1) the current regulatory environment and the improvement strength of policy adjustment; (2) whether the lenders are agreeable to the terms and conditions of the financing and refinancing agreements; and (3) the Group's ability to continuously comply with these terms and conditions;
- c. accelerating the construction as well as presale and sale of its properties under development, which requires the meeting of all of the necessary conditions to launch the presale, and to make these pre-sales at the expected sale prices; and
- d. the Group's ability to generate operating cash flows and obtain additional sources of financing other than those mentioned above, to meet the Group's ongoing funding needs as well as successfully controlling administrative costs and capital expenditure.

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in this condensed consolidated financial information.

2. MATERIAL ACCOUNTING POLICIES

The condensed consolidated financial information has been prepared on the historical cost basis, except for the investment properties and certain financial assets at fair value through other comprehensive income, which are measured at fair values.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2024 for the preparation of the Group's condensed consolidated financial information:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Related Amendments to Hong Kong Interpretation 5
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in this condensed consolidated financial information.

The Group has not applied any new and amendments to HKFRSs that have been issued but not yet effective for the current accounting period.

3. REVENUE

Disaggregation of revenue from contracts with customers

Six months ended 30 June (unaudited)

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Property development segment		
Types of goods		
Sales of completed properties	<u>60,295</u>	<u>188,351</u>
Geographical market		
The People's Republic of China ("PRC")	<u>60,295</u>	<u>188,351</u>
Timing of revenue recognition		
A point in time	<u>60,295</u>	<u>188,351</u>

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

Six months ended 30 June 2024 (unaudited)

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Consolidated total <i>RMB'000</i>
Sales of completed properties	<u>60,295</u>	<u>–</u>	<u>60,295</u>
Revenue from contracts with customers and total revenue	60,295	–	60,295
Leases	<u>–</u>	<u>417</u>	<u>417</u>
Total revenue	<u>60,295</u>	<u>417</u>	<u>60,712</u>

Six months ended 30 June 2023 (unaudited)

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Consolidated total <i>RMB'000</i>
Sales of completed properties	<u>188,351</u>	<u>–</u>	<u>188,351</u>
Revenue from contracts with customers and total revenue	<u>188,351</u>	<u>–</u>	<u>188,351</u>

4. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable segments:

Six months ended 30 June 2024 (unaudited)

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Segment total <i>RMB'000</i>
Segment revenue (external)	<u>60,295</u>	<u>417</u>	<u>60,712</u>
Segment loss	<u>(76,100)</u>	<u>(5,035)</u>	<u>(81,135)</u>
Impairment losses			(51,889)
Finance costs			(185,365)
Bank interest income			108
Exchange loss			(6,293)
Loss on disposal of a subsidiary			(4,315)
Unallocated expenses			<u>(3,532)</u>
Loss before taxation			<u>(332,421)</u>

Six months ended 30 June 2023 (unaudited)

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Segment total <i>RMB'000</i>
Segment revenue (external)	<u>188,351</u>	<u>–</u>	<u>188,351</u>
Segment loss	<u>(161,677)</u>	<u>(5,437)</u>	(167,114)
Finance costs			(66,987)
Bank interest income			662
Exchange loss			(3,059)
Change in fair value of interests in deconsolidated subsidiaries			(22,714)
Unallocated expenses			<u>(9,655)</u>
Loss before taxation			<u>(268,867)</u>

The following is an analysis of the Group's assets and liabilities by reportable segments:

Segment assets

At 30 June 2024 (unaudited)

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Segment total <i>RMB'000</i>
Segment assets	<u>2,945,568</u>	<u>593,425</u>	3,538,993
Unallocated			<u>2,855,960</u>
Consolidated total assets			<u>6,394,953</u>

At 31 December 2023 (audited)

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Segment total <i>RMB'000</i>
Segment assets	<u>3,236,856</u>	<u>593,528</u>	3,830,384
Unallocated			<u>2,814,506</u>
Consolidated total assets			<u>6,644,890</u>

Segment liabilities**At 30 June 2024 (unaudited)**

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Segment total <i>RMB'000</i>
Segment liabilities	<u>924,669</u>	<u>248</u>	924,917
Unallocated			<u>6,533,009</u>
Consolidated total liabilities			<u>7,457,926</u>

At 31 December 2023 (audited)

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Segment total <i>RMB'000</i>
Segment liabilities	<u>944,045</u>	<u>445</u>	944,490
Unallocated			<u>6,413,178</u>
Consolidated total liabilities			<u>7,357,668</u>

5. IMPAIRMENT LOSSES

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Amount due from a former subsidiary	31,489	–
Amounts due from non-controlling interests	20,400	–
	<u>51,889</u>	<u>–</u>

6. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Other income:		
Rental income from temporary lease of completed properties for sales	116	717
Interest income on bank deposits	108	662
Others	50	350
	<u>274</u>	<u>1,729</u>
Other gains and losses:		
Gain on disposal of property, plant and equipment	14	–
Exchange loss, net	(6,293)	(3,059)
	<u>(6,279)</u>	<u>(3,059)</u>

7. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interests on		
– bank and other loans	180,798	192,748
– contract liabilities	4,567	4,864
	185,365	197,612
Less: amount capitalised to properties under development	–	(130,625)
	185,365	66,987

8. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Current tax expense:		
PRC Enterprise Income Tax (“EIT”)	2,497	1,931
Land Appreciation Tax (“LAT”)	(22,821)	7,856
	(20,324)	9,787
Deferred tax credit	(85)	(1,286)
	(20,409)	8,501

For current period and prior period, no provision for Hong Kong Profits Tax has been made in the condensed consolidated financial information as the Hong Kong subsidiaries incurred tax losses during current and prior period.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

The provision of LAT is estimated according to the requirement set forth in the relevant PRC tax law and regulations. LAT has been provided at ranges of progressive rate of the appreciation value, with certain allowable exemptions and deductions.

9. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging/(crediting):		
Cost of properties for sale included in cost of sales	124,471	212,842
Impairment losses on properties under development/properties for sale included in cost of sales	58,425	–
Gain on disposal of property, plant and equipment	(14)	(487)
Depreciation of property, plant and equipment	997	647
Depreciation of right-of-use assets	340	340
	<u> </u>	<u> </u>
Gross rental income from investment properties	(417)	–
Less: direct operating expenses included for investment properties that generated rental income during the period	22	–
	<u> </u>	<u> </u>
	(395)	–
	<u> </u>	<u> </u>
Staff costs		
Staff salaries and allowances	7,427	29,286
Retirement benefit contributions	554	2,530
	<u> </u>	<u> </u>
Total staff costs, excluding directors' remuneration	7,981	31,816
Less: amount capitalised to properties under development	–	(19,502)
	<u> </u>	<u> </u>
	<u>7,981</u>	<u>12,314</u>

10. DIVIDENDS

No dividend was paid to or proposed for shareholders of the Company during the six months ended 30 June 2024 and 2023, nor has any dividend been proposed since the end of the reporting period.

11. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

Loss figures are calculated as follows:

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	<u>(302,399)</u>	<u>(256,813)</u>

Number of shares:

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>1,420,673,262</u>	<u>11,365,386,067</u>

For the six months ended 30 June 2024 and 2023, diluted loss per share equals basic loss per share as there were no diluted potential ordinary shares in issue during the period.

12. INVESTMENT PROPERTIES

	Investment properties <i>RMB'000</i>
At fair value	
At 31 December 2023 (audited) and 30 June 2024 (unaudited)	<u>578,100</u>

All of the Group's property interests held under operating leases to earn rentals or intended to earn rentals in future or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The investment properties are situated in the PRC.

13. PROPERTIES UNDER DEVELOPMENT/PROPERTIES FOR SALE

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(unaudited)	(audited)
Properties under development	379,087	379,801
Properties for sale	1,716,622	1,913,063
	<u>2,095,709</u>	<u>2,292,864</u>

14. RECEIVABLES AND PREPAYMENTS

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(unaudited)	(audited)
Lease receivables (<i>note a</i>)	25,051	25,049
Other receivables, deposits and prepayments (<i>note c</i>)	3,315,453	3,313,376
Refundable deposits paid	25,228	25,277
Prepayments to suppliers	5,166	5,541
Prepaid other taxes	–	4,496
Advance to a third party (<i>note b</i>)	3,908	3,908
	<u>3,374,806</u>	<u>3,377,647</u>

Notes:

- a. For lease receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime expected credit loss (“ECL”). The Group determines the expected credit losses on individual trade debtors balances. ECL on lease receivables is considered as insignificant.
- b. The advance is unsecured and expected to be recovered within one year. The advance comprises mainly earnest money for potential projects.
- c. Other receivables, deposits and prepayments consists of amounts due from deconsolidated subsidiaries of approximately RMB853,742,000 (31 December 2023: RMB853,742,000) which is net of impairment loss of RMB853,742,000 (31 December 2023: RMB853,742,000), amounts due from related companies of approximately RMB1,947,000 (31 December 2023: RMB8,187,000), and amounts due from former subsidiaries of approximately RMB3,056,746,000 (31 December 2023: RMB3,050,739,000) arising from the Group Reorganisation. All of the amounts are unsecured, interest-free and repayable on demand.

15. AMOUNTS DUE FROM NON-CONTROLLING SHAREHOLDERS

The amounts due from non-controlling shareholders at 30 June 2024 and 31 December 2023 were unsecured, interest-free and repayable on demand.

16. PAYABLES AND ACCRUALS

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade payables (<i>note a</i>)	44,063	31,448
Retention payables	992	992
Interest payables	1,187,172	1,012,538
Other payables and accruals (<i>note b</i>)	3,485,147	3,388,819
Other tax payables	199,933	202,233
Consideration payable for acquisition of a subsidiary	–	82,658
Deposit received	1,497	1,605
Accrued construction costs	199,827	242,653
Provision for litigation	11,897	11,897
	<u>5,130,528</u>	<u>4,974,843</u>

Notes:

- a. Trade payables mainly represent the payables to suppliers for construction work. The credit period for trade payables ranged from 0 to 30 days.
- b. Other payables and accruals consist of amounts due to former subsidiaries of approximately RMB3,135,591,000 (31 December 2023: RM3,121,181,000). These amounts are unsecured, interest-free and repayable on demand.

The following is an aged analysis of the Group's trade payables presented based on invoice date at the end of reporting period.

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(unaudited)	(audited)
0 to 60 days	–	29,364
61 to 180 days	44	2,084
181 to 365 days	24,474	–
Over 1 year	19,545	–
	<u>44,063</u>	<u>31,448</u>

17. BORROWINGS

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(unaudited)	(audited)
Other loans	<u>1,658,187</u>	<u>1,657,501</u>
	<u>1,658,187</u>	<u>1,657,501</u>
The carrying amounts of the borrowings that do not contain a repayment on demand clause and are repayable: Immediately or within 1 year	<u>1,614,416</u>	<u>1,613,656</u>
	<u>1,614,416</u>	<u>1,613,656</u>
The carrying amounts of borrowings that contain a repayment on demand clause (shown under current liabilities) and repayable: Immediately or within 1 year	<u>43,771</u>	<u>43,845</u>
Total borrowings	<u>1,658,187</u>	<u>1,657,501</u>
Less: Amounts due within 1 year/repayable on demand shown under current liabilities	<u>(1,658,187)</u>	<u>(1,657,501)</u>
Amounts due after 1 year	<u>–</u>	<u>–</u>

During the six months ended 30 June 2024, approximately RMB761,000 new borrowing was raised (six months ended 30 June 2023: nil) and the Group repaid borrowings approximately amounting to RMB91,000 (six months ended 30 June 2023: RMB9,668,000).

18. SHARE CAPITAL

	Number of shares	Amount	Equivalent to
		HK\$'000	RMB'000
Ordinary shares of HK\$0.01 each			
Authorised:			
At 31 December 2023 and 30 June 2024	<u>50,000,000,000</u>	<u>500,000</u>	<u>423,381</u>
Issued and fully paid:			
At 31 December 2023 and 30 June 2024	<u>1,420,673,262</u>	<u>14,207</u>	<u>12,924</u>

19. DISPOSAL OF A SUBSIDIARY

During the period, the Group entered into a sale and purchase agreements with an independent third party to dispose the equity interest in 湖南亞太美立方投資置業有限公司 (“**Hunan Yatai**”) at the consideration of RMB500,000. The disposal was completed on 23 May 2024. Upon completion of the disposal, Hunan Yatai ceased to be an indirectly wholly owned subsidiary of the Group, resulting to a loss on disposal of approximately RMB4,315,000.

The net assets of Hunan Yatai at the date of disposal were as follows:

	<i>RMB'000</i>
Properties for sale	81,100
Receivables and prepayments	5,769
Prepaid income tax	2,262
Restricted bank deposits	5
Bank balances and cash	41
Payables and accruals	(80,646)
Contract liabilities	(3,248)
Deferred tax liabilities	(468)
	<hr/>
Net assets derecognised of	4,815
	<hr/>
Loss on disposal of Hunan Yatai:	
Cash consideration	500
Net assets derecognised of Hunan Yatai	(4,815)
	<hr/>
Loss on disposal of Hunan Yatai	(4,315)
	<hr/>
Net cash inflow arising from disposal of Hunan Yatai:	
Cash consideration	500
Less: bank balances and cash derecognised	(41)
	<hr/>
	459
	<hr/>

20. PLEDGE OF ASSETS

The following assets were pledged to secure certain banking and other facilities granted to the Group and the mortgage loans granted to the customers of the Group at the end of each reporting period.

	30 June 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Properties under development	379,087	383,574
Properties for sale	980,424	1,039,862
Property, plant and equipment	17,163	18,264
Investment properties	570,500	570,500
	<u>1,947,174</u>	<u>2,012,200</u>

In addition, certain equity shares of the subsidiaries of the Group were pledged to several borrowings granted to the Group.

21. OTHER COMMITMENTS

	30 June 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Commitments for property development contracted for but not provided in the condensed consolidated financial information	<u>97,642</u>	<u>171,700</u>

22. CONTINGENT LIABILITIES

	30 June 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Guarantees given in favour of banks for: Mortgage facilities granted to purchasers of the Group's properties	<u>3,036,851</u>	<u>3,104,327</u>

23. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

Saved as disclosed in note 19 to the condensed consolidated financial information and the major and connected transaction as announced by the Company on 13 June 2024, the Group did not have any other material acquisition and disposal during the six months ended 30 June 2024.

24. EVENTS AFTER THE END OF THE REPORTING PERIOD

The Group does not have any material subsequent events after the reporting date and up to the date of this condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

The principal activities of the Group are property development and property investment business. As at 30 June 2024, the Group owned 7 projects under development and for sale and had a total gross floor area of approximately 418,909 sq.m. with gross floor area attributable to the Group of approximately 285,672 sq.m. The Group also owned 2 investment properties with gross floor area attributable to the Group of 45,946 sq.m. The financial performance of the Group for the six months ended 30 June 2024 is summarised below:

OVERALL REVIEW

Property development

During the Period, revenue from sales of properties was approximately RMB60,295,000 (Previous Period: approximately RMB188,351,000).

The revenue from sales of properties for the Period was only contributed by projects in Hunan Province compared with sales in Zhejiang Province, Hunan Province, Fujian Province and Guangdong Province across Mainland China in the Previous Period. The significant decrease in recognised sales during the Period by 68.0% as compared to that of the Previous Period due to continuous shrinkage of the property markets of second-, third- and lower-tier cities with the insufficient speed of recovery.

Property investment

Rental income for the Period was RMB417,000 (Previous Period: nil). Rental income was mainly contributed by the commercial investment properties in Changsha.

As at 30 June 2024, the fair value on the Group's investment property portfolio remained unchanged.

Operating expenses

During the Period, the selling and distribution expenses was approximately RMB2,760,000 (Previous Period: approximately RMB12,995,000), and the cost-income ratio calculated as the relevant expenses divided by the revenue for the Period was 4.55% (Previous Period: 6.90%). During the Period, the administrative expenses was approximately RMB18,271,000 (Previous Period: approximately RMB35,650,000), and the cost-income ratio calculated as the relevant expenses divided by the revenue for the Period was 30.09% (Previous Period: 18.93%).

Finance costs

Finance costs comprised of interest on bank and other borrowings and interest on contract liabilities, net of capitalised interest relating to properties under development. The finance costs was approximately RMB185,365,000 for the Period (Previous Period: approximately RMB66,987,000).

Income tax expense

During the Period, income tax credit amounted to approximately RMB20,409,000 (Previous Period: income tax expense amounted to approximately RMB8,501,000). The income tax credit was mainly due to the recognition of prior year LAT over-provision during the Period.

PROSPECTS

During the Period under review, the China's properties market encountered multiple challenges and opportunities. With significant changes in supply and demand, China's properties market saw an increase of default cases that previously excluded larger developers that now have also been affected, further decreasing consumer confidence leading to significant declines in presales that already were historic lows. In view of the all these shortcomings which have led to the most severe difficulty that the properties market has ever faced, the government departments at all levels frequently optimised properties market policies to promote stable operation of the properties market. Such policies such as asking local governments across the country to buy unsold homes from beleaguered developers and easing rules on purchases and providing cheap loans to state-owned enterprises for buying unsold homes from distressed developers, but factors such as the weak expectation of residents' incomes and the continued anticipation of falling housing prices still limited the pace of market recovery. Despite the crisis-hit in properties market, the economy in China has achieved its steady growth and the trend of China's economy to rebound and improve will remain unchanged.

By being well-prepared and well-positioned, the Group will give full play to its resources and talents in operations with a prudent and stable attitude in the properties market in China as well as explore the real estate resources and land development opportunities in Asian and European countries. In particular, the Group is actively approaching companies in Japan for cooperation by leveraging our solid experiences in real estate sector. The Group believes that that taking part in a project in Japan through mergers and acquisitions would realise effective empowerment, synergistic value adding and enhance the profitability of the Group and create better returns to its shareholders.

Looking forward, we believe that with the improvement of the China's economy and the continuous introduction of favorable policies, the confidence in the China's properties market will continue to recover in 2024, presenting some new opportunities. In the face of the complex internal and external global economy, the opportunities and challenges will co-exist in respect of technology advancement in artificial intelligence and the military and political instability in various regions which have affected the global economy. The Group will actively respond to market changes by promoting organisational reform, upgrading organisational capabilities, optimising the allocation of resources so as to grasp every opportunity for development for the purpose of enhancing better returns to our shareholders.

EVENTS AFTER THE REVIEW PERIOD

There are no significant events after the reporting date.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the Period (Previous Period: nil).

CORPORATE GOVERNANCE

Save as disclosed below, the Group has complied with the code provisions set out in Appendix C1 (the "CG Code") to the Listing Rules throughout the Period and, where appropriate, the applicable recommended best practices of the CG Code.

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The Company does not have a designated position of Chairman from 30 November 2023 onwards. The responsibilities of the chairman and the chief executive officer of the Company are currently vested in Dr. Hiroshi Kaneko (the executive Director and the chief executive officer of the Company). As all major decisions are made in consultation with the members of the Board, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will also continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she had complied with the required standards as set out in the Model Code throughout the Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2024.

REVIEW OF THE INTERIM RESULTS BY AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) is currently comprised of three independent non-executive Directors, namely Ms. Ha Sze Wan (Chairperson of the Audit Committee), Mr. Huang Zhongquan and Ms. Tang Ying Sum. The main duties of the Audit Committee are to examine, review and monitor the financial reporting procedures and financial reporting, risk management and internal control systems of the Company. The Audit Committee has reviewed the unaudited interim results of the Group for the Period.

PUBLICATION OF THE INTERIM RESULTS AND 2024 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jkcg.com.hk), and the 2024 interim report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Japan Kyosei Group Company Limited
Dr. Hiroshi Kaneko
Executive Director and Chief Executive Officer

Hong Kong, 30 August 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.