



JAPAN KYOSEI GROUP COMPANY LIMITED

日本共生集團有限公司

(Incorporated in Bermuda with limited liability)

Stock Code : 627

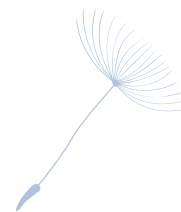
INTERIM REPORT 2024

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CORPORATE INFORMATION



BOARD OF DIRECTORS

EXECUTIVE DIRECTOR

Dr. Hiroshi Kaneko (*Chief Executive Officer*)

NON-EXECUTIVE DIRECTOR

Mr. Chung Ho Wai Alan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Huang Zhongquan

Ms. Tang Ying Sum

Ms. Ha Sze Wan

AUDIT COMMITTEE

Ms. Ha Sze Wan (*Chairlady*)

Mr. Huang Zhongquan

Ms. Tang Ying Sum

REMUNERATION COMMITTEE

Mr. Huang Zhongquan (*Chairman*)

Dr. Hiroshi Kaneko

Ms. Tang Ying Sum

NOMINATION COMMITTEE

Mr. Huang Zhongquan (*Chairman*)

Dr. Hiroshi Kaneko

Ms. Ha Sze Wan

COMPANY SECRETARY

Mr. Tsang King Sun

AUTHORISED REPRESENTATIVES

Dr. Hiroshi Kaneko

Mr. Tsang King Sun

AUDITOR

PKF Hong Kong Limited

LEGAL ADVISERS

Lau, Horton & Wise LLP

(*In association with CMS Hasche Sigle, Hong Kong LLP*)

PRINCIPAL BANKERS

Hang Seng Bank Limited

Fubon Bank (Hong Kong) Limited

China Construction Bank (Asia)

Corporation Limited

Bank of Communications Co., Ltd.

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

PRINCIPAL PLACE OF BUSINESS

Room 1104, 11/F

Kai Tak Commercial Building

66-72 Stanley Street

Central

Hong Kong

PRINCIPAL SHARE REGISTRAR

Cohort Limited

3rd Floor, Sofia House

48 Church Street

Hamilton HM 12

Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited

Suites 3301-04, 33/F.

Two Chinachem Exchange Square

338 King's Road

North Point, Hong Kong

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited

Ordinary Shares (Stock Code: 627)

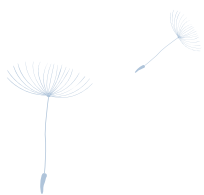
COMPANY WEBSITE

www.jkgc.com.hk

INVESTOR RELATIONS

Email: cs@fullsun.com.hk

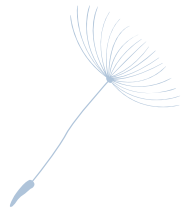




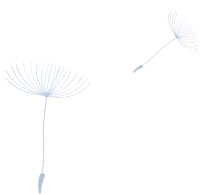
DEFINITIONS

Term	Definition
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
Board	The board of the Directors
Company	Japan Kyosei Group Company Limited
Completion	completion of the sale and purchase of the Sale Shares
connected person	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)	The director(s) of the Company
Group	The Company and its subsidiaries from time to time
Hong Kong	The Hong Kong Special Administrative Region
HK\$/HKD	Hong Kong dollars
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers

DEFINITIONS



Term	Definition
Period/During the Period	1 January 2024 to 30 June 2024
PRC/Mainland China	The People's Republic of China, excluding Hong Kong, Macau Special Administrative Region and Taiwan for the purpose of this report
Previous Period	1 January 2023 to 30 June 2023
Target 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
RMB	Renminbi Yuan
Sale Shares	the entire issued shares of the Target Company owned by the Vendor
SFO	Securities and Futures Ordinance (chapter 571 of the Laws of Hong Kong)
Share(s)	Ordinary 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



Term	Definition
Target Subsidiaries	<p>collectively,</p> <ol 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>

USD	United States dollars
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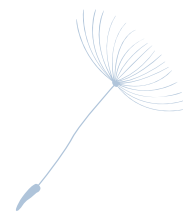
Vendor	Speed Sword Limited, a connected person of the Company
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Note:

For the purpose of this report and unless otherwise specified, the English translation of the name of the companies incorporated in the PRC are used for identification purpose only.

* *for identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS



BUSINESS REVIEW

Breakdown of the projects held for development/sale of the Group as at 30 June 2024 was as follows:

Project	Location	Total GFA ⁽¹⁾ (sq. m.)	Interest	Total GFA ⁽¹⁾ attributable to the shareholding (sq. m.)	Type of project (Note)	Expected completion year
Changsha City, Hunan Province						
Qianlong Premier Mansion	Tianxin District	103	100%	103	R	Completed
Qianlong Royal Family	Kaifu District	37,186	100%	37,186	C/R/A	Completed
Fullsun International Financial Centre	Yuelu District	83,233	100%	83,233	C	Completed
Kela Meili Shanzhuang	Tianxin District					
Phase 1		14,141	100%	14,141	C/R	Completed
Phase 2		28,291	100%	28,291	C/R	Completed
Phase 3		68,534	100%	68,534	C/R/A	Completed
Ningde City, Fujian Province						
Ningde Fullsun Country Garden	Jiaocheng District					
• Tianjiao		12	34%	4	C/R	Completed
Shanghai City						
Qiantan • Fusheng Qianlong Square [□]	Pudong New District	60,840	10%	6,084	C/R	Completed
Jiaxing City, Zhejiang Province						
Fuli Plaza	Jiaxing Port District					
Phase 1		51,116	38%	19,424	C/R/A	Completed
Phase 2		75,453	38%	28,672	C/A	N/A
		418,909		285,672		

(1) Total GFA represents the sum of (i) gross floor area (“GFA”) available for sale and total leasable GFA for completed properties, (ii) GFA for properties under development, (iii) GFA for properties held for future development and (iv) GFA of carparks, ancillary and others.

Notes:

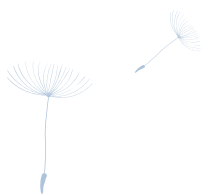
C represents commercial

R represents residential

A represents apartments

□ This project is owned by the Group through a joint venture of the Group



**BUSINESS REVIEW** *(Continued)*

Details of investment properties of the Group as at 30 June 2024 were as follows:

Project	Location	Total GFA⁽³⁾ (sq. m.)	Interest	Total GFA⁽³⁾ attributable to the shareholding (sq. m.)	Type of project (Note)	Category of lease
Changsha City, Hunan Province						
Fullsun International Financial Centre	Yuelu District	45,705	100%	45,705	C	Medium
Fuzhou City, Fujian Province						
Qianlong Gongguan	Minhou County	241	100%	241	C	Medium
		45,946		45,946		

(3) Total GFA represents the sum of (i) GFA available for sale and total leasable GFA for completed properties and (ii) GFA of carparks, ancillary and others.

Note:

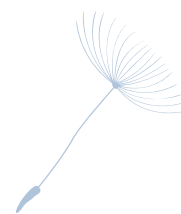
C represents commercial

During the Period, total revenue of the Group was approximately RMB60,712,000 which decreased by 67.8% as compared to that of the Previous Period (Previous Period: approximately RMB188,351,000).

Loss for the Period attributable to owners of the Company was approximately RMB302,399,000 (Previous Period: approximately RMB256,813,000).

The basic loss per share was RMB21.29 cents (Previous Period: RMB2.26 cents). The diluted loss per share was approximately RMB21.29 cents (Previous Period: RMB2.26 cents).

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).

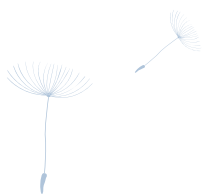
INCOME TAX EXPENSE

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.

INTERIM DIVIDEND

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





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.

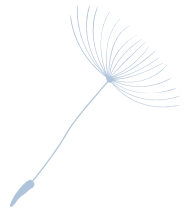
By being well-prepared and well-positioned, the Group will give full play to its resources and talents in operations with a prudent and stable attitude in the properties market in China as well as explore the real estate resources and land development opportunities in Asian and European countries. In 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.

LIQUIDITY, FINANCIAL RESOURCE AND GEARING RATIO

As at 30 June 2024, bank balances and cash amounted to approximately RMB50,493,000 (31 December 2023: RMB44,011,000), which were principally denominated in RMB and HKD. The Group had total bank and other borrowings of approximately RMB1,658,157,000 (31 December 2023: RMB1,657,501,000) which carried interest at fixed or floating interest rates and were denominated in RMB and HKD. The Group's total bank and other borrowings divided by total assets as at 30 June 2024 was 25.9% (31 December 2023: 24.9%). The net gearing ratio calculated as total borrowings, net of bank balances and cash and restricted bank deposits divided by total deficit of the Group as at 30 June 2024 was (151.1)% (31 December 2023: (226.2)%).

As at 30 June 2024, the Group had current assets of approximately RMB5,775,357,000 (31 December 2023: RMB6,023,988,000) and current liabilities of approximately RMB7,291,378,000 (31 December 2023: RMB7,190,658,000). The net liabilities of the Group as at 30 June 2024 were approximately RMB1,062,973,000 (31 December 2023: RMB712,778,000) which increased by approximately 49.1%.



EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's principal business operations and investments are in mainland China and Hong Kong. As at 30 June 2024, all outstanding balances of its loans are denominated in RMB and HKD. The Group is exposed to fluctuations in the foreign exchange rates of the RMB, USD and HKD, but does not have any instruments to hedge its exposure to foreign exchange rates as it considers the potential exposure to foreign exchange rate risks is limited. The Group nonetheless closely monitors the fluctuations in exchange rates and will take appropriate actions to reduce the exchange rate exposure.

PLEDGE OF ASSETS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES

The pledge of assets, other commitments and contingent liabilities of the Group are disclosed in the notes 22, 23 and 24 to the condensed consolidated financial statements in this report.

SHARE CAPITAL

The number of issued Shares as at 1 January 2024 and 30 June 2024 was 1,420,673,262 Shares.

LITIGATION

As at the reporting date, the Group was not involved in any material litigation or arbitration.

MATERIAL ACQUISITIONS AND INVESTMENTS

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.

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 Target 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.

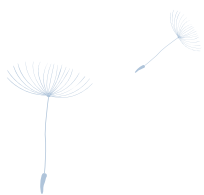
As at 30 June 2024, above acquisition has not yet proceeded to completion.

Details are set out in the Company's announcements dated 13 June 2024.

EVENTS AFTER THE REPORTING PERIOD

The Group does not have any material subsequent events after the reporting period.





EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2024, the Group had approximately 106 employees, including the Directors. Remuneration of employees is determined by reference to the market terms and commensurate with the level of pay for similar positions within the industry. Discretionary year-end bonuses are payable to employees based on individual performance. The Group provides benefits in accordance with the relevant laws and regulations. The employees of the Group in the Mainland China are members of a state-managed retirement benefit scheme operated by the government of the PRC, and the employees in Hong Kong are members of the Mandatory Provident Fund Scheme of Hong Kong.

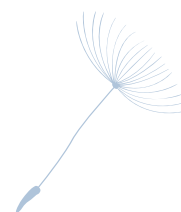
The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong who are eligible to participate in the Mandatory Provident Fund Scheme (the “**MPF Scheme**”). The Group and its employees in Hong Kong are each required to make contributions to the MPF Scheme at 5% of the employees’ relevant income and capped at HK\$1,500 per month.

The employees of the Group’s subsidiaries which operate in the PRC are required to participate in the central pension schemes operated by the local municipal governments (the “**Central Pension Schemes**”). According to the relevant regulations, contributions that should be borne by the companies within the Group are principally determined based on percentages of the basic salaries of employees, subject to certain ceilings imposed. The applicable percentages for the Central Pension Schemes for the Period and Previous Period are listed below:

	Percentage
Pension insurance	12.0–20.0%
Medical insurance	5.2–10.5%
Unemployment insurance	0.32–1.5%
Housing fund	5.0–12.0%

The Group’s contributions to the MPF Scheme and the Central Pension Schemes vest fully and immediately with the employees. During the Period and Previous Period, there were neither contributions forfeited by the Group nor had there been any utilisation of such forfeited contributions to reduce future contributions. As at 31 December 2023 and 30 June 2024, there were no forfeited contributions which were available for utilisation by the Group to reduce the existing level of contributions to the MPF Scheme and the Central Pension Schemes.

CORPORATE GOVERNANCE AND OTHER INFORMATION



DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARE, UNDERLYING SHARE AND DEBENTURES

As at 30 June 2024, the following Director or chief executive of the Company or his associates had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register to be kept under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code, as follows:

(I) INTEREST IN THE ORDINARY SHARES OF ASSOCIATED CORPORATION

Name of Director/ chief executive	Name of associated corporation	Capacity/nature of interest	Number of shares held (Note 1)	Percentage of shareholding in the associated corporation (Approximate)
Dr. Hiroshi Kaneko	Grateful Heart Inc.	Beneficial owner	3(L)	30%

Notes:

1. (L) represents long position in Shares/underlying Shares.
2. 994,019,402 Shares are owned by Grateful Heart Inc. which is partially owned by Dr. Hiroshi Kaneko, an executive Director.



SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SECURITIES OF THE COMPANY

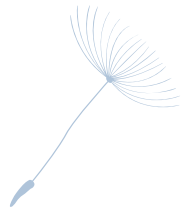
As at 30 June 2024, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of substantial shareholders required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange as follows:

Name	Capacity	Total (Note 1)	Approximate percentage of the Company's issued share capital
Mr. Kenichi Yanase (Note 3)	Interest in a controlled corporation	994,019,402 (L)	69.97% (Note 2)
Grateful Heart Inc. (Note 3)	Interest in a controlled corporation	994,019,402 (L)	69.97% (Note 2)
CIS Securities Asset Management Limited (Note 3)	Investment manager	994,019,402 (L)	69.97% (Note 2)
CIS FUND OFC – CIS OPPORTUNITIES I FUND (Note 3)	Interest in a controlled corporation	994,019,402 (L)	69.97% (Note 2)
JET POWER INVESTMENTS LIMITED (NOTE 3)	Beneficial owner	994,019,402 (L)	69.97% (Note 2)

Notes:

- (L) represents long position in Shares/underlying Shares.
- The total number of 1,420,673,362 Shares in issue as at 30 June 2024 has been used for the calculation of the approximate percentage.
- 994,019,402 Shares are beneficially owned by Jet Power Investments Limited. Jet Power Investments Limited is wholly owned by CIS FUND OFC – CIS OPPORTUNITIES I FUND. CIS FUND OFC – CIS OPPORTUNITIES I FUND is a sub-fund of CIS FUND OFC, an open-ended fund company with variable share capital incorporated in Hong Kong. CIS Securities Asset Management Limited is the investment manager of CIS FUND OFC – CIS OPPORTUNITIES I FUND. Grateful Heart Inc. is an investor in the CIS FUND OFC – CIS OPPORTUNITIES I FUND whose investment as at the date of this report accounted for 100% of the entire investment amount in the CIS FUND OFC – CIS OPPORTUNITIES I FUND. Grateful Heart Inc. is owned as to 70% by Mr. Kenichi Yanase and therefore Mr. Kenichi Yanase is deemed to be interested in the same number of Shares held by Grateful Heart Inc.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO as at 30 June 2024.



SHARE OPTION SCHEME

Details of the share option scheme (the “**Scheme**”) adopted by the Company on 1 December 2017 were set out in the paragraph headed “H. Share Option Scheme” in Appendix IX Statutory and general information to the circular of the Company dated 27 October 2017.

The total number of Shares available for issue under the Scheme as at 31 December 2023, 30 June 2024 and the date of this Interim Report was 11,236,749 Shares at par value of HK\$0.01 each, representing approximately 0.79% of the total issued Shares of the Company.

No share option has been granted, exercised or cancelled by the Company since the adoption of the Share Option Scheme. And there was no outstanding share option under the Share Option Scheme as at 30 June 2024 and as at the date of this Interim Report.

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 (Chairlady 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.

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.

Save for the above, the Company had complied with all code provisions as set out in the CG Code throughout the Period and, where appropriate, the applicable recommended best practices of the CG Code. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.



MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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.

UPDATE ON DIRECTORS' INFORMATION

During this Period and up to the date of this interim report, there were no changes in Director's information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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.

By order of the Board

Japan Kyosei Group Company Limited

Dr. Hiroshi Kaneko

Executive Director and Chief Executive Officer

Hong Kong, 30 August 2024

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

The Board of the Company announces that the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2024 together with comparative figures for the previous period:

	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	21	(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)
Other comprehensive expense			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translating foreign operations		(5,188)	(65,471)
Total comprehensive expense for the period		(317,200)	(342,839)
Loss for the period attributable to:			
Owners of the Company		(302,399)	(256,813)
Non-controlling interests		(9,613)	(20,555)
		(312,012)	(277,368)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(307,587)	(322,284)
Non-controlling interests		(9,613)	(20,555)
		(317,200)	(342,839)
Loss per share			
– Basic (RMB cents)	11	(21.29)	(2.26)
– Diluted (RMB cents)	11	(21.29)	(2.26)

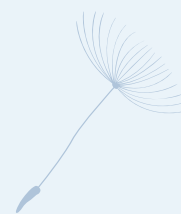
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	NOTES	At 30 June 2024 RMB'000 (unaudited)	At 31 December 2023 RMB'000 (audited)
Non-current Assets			
Property, plant and equipment	12	17,836	18,893
Right-of-use assets	13	19,811	20,151
Investment properties	14	578,100	578,100
Equity instrument designated at fair value through other comprehensive income ("FVTOCI")		500	500
Deferred tax assets		3,349	3,258
		619,596	620,902
Current Assets			
Properties under development/properties for sale	15	2,095,709	2,292,864
Receivables and prepayments	16	3,374,806	3,377,647
Amounts due from non-controlling shareholders	17	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
Current Liabilities			
Payables and accruals	18	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	19	1,658,187	1,657,501
		7,291,378	7,190,658
Net Current Liabilities		(1,516,021)	(1,166,670)
Total Assets Less Current Liabilities		(896,425)	(545,768)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024



	NOTES	At 30 June 2024 RMB'000 (unaudited)	At 31 December 2023 RMB'000 (audited)
Capital and Reserves			
Share capital	20	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		(1,062,973)	(712,778)
Non-current Liability			
Deferred tax liabilities		166,548	167,010
		(896,425)	(545,768)

The condensed consolidated financial statements on pages 21 to 38 were approved and authorised for issue by the directors of the Company on 31 August 2024 and are signed on its behalf by:

Dr. Hiroshi Kaneko
DIRECTOR

Mr. Chung Ho Wai Alan
DIRECTOR



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

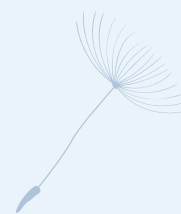
	Attributable to owners of the Company								Non-controlling interests		Total
	Share capital	Share premium	Capital reserve	Revaluation reserve	Translation reserve	Capital contribution	Statutory reserve	Accumulated losses	Total	Non-controlling interests	
	RMB'000	RMB'000	RMB'000 (Note i)	RMB'000	RMB'000	RMB'000	RMB'000 (Note ii)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023 (audited)	96,031	85,940	-	308	95,110	835,821	166,226	(1,952,681)	(673,245)	900,579	227,334
Loss for the period	-	-	-	-	-	-	-	(256,813)	(256,813)	(20,555)	(277,368)
Other comprehensive expense for the period	-	-	-	-	(65,471)	-	-	-	(65,471)	-	(65,471)
Total comprehensive expense for the period	-	-	-	-	(65,471)	-	-	(256,813)	(322,284)	(20,555)	(342,839)
At 30 June 2023 (unaudited)	96,031	85,940	-	308	29,639	835,821	166,226	(2,209,494)	(995,529)	880,024	(115,505)
At 1 January 2024 (audited)	12,924	227,657	95,066	308	90,859	837,044	154,072	(2,431,232)	(1,013,302)	300,524	(712,778)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(33,000)	(33,000)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	5	5
Loss for the period	-	-	-	-	-	-	-	(302,399)	(302,399)	(9,613)	(312,012)
Other comprehensive expense for the period	-	-	-	-	(5,188)	-	-	-	(5,188)	-	(5,188)
Total comprehensive expense for the period	-	-	-	-	(5,188)	-	-	(302,399)	(307,587)	(9,613)	(317,200)
At 30 June 2024 (unaudited)	12,924	227,657	95,066	308	85,671	837,044	154,072	(2,733,631)	(1,320,889)	257,916	(1,062,973)

Notes:

- The credit arising from the Capital Reduction as detailed in the annual report for the year ended 31 December 2023 of approximately HK\$112,517,000 (equivalent to approximately RMB95,066,000) was credited to capital reserve of the Company.
- In accordance with the Articles of Association of all subsidiaries established in the People's Republic of China ("the PRC"), those subsidiaries are required to transfer 10% of the profit after taxation to the statutory reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory reserve can be used to make up for previous years' losses, expand the existing operation or convert into additional capital of the subsidiaries.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024



	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
OPERATING ACTIVITIES		
Operating cash flows before movements in working capital	(27,938)	(176,269)
Decrease in properties under development/properties for sale	2,954	78,729
Increase in trade and other receivables	(60,930)	(35,133)
Increase in trade and other payables and accruals	71,382	5,213
Increase in contract liabilities	4,400	86,525
Income tax refunded/(paid)	15,195	(6,637)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	5,063	(47,572)
INVESTING ACTIVITIES		
Withdrawal of restricted bank deposits	–	4,784
Interest received	108	662
Proceeds from disposal of property, plant and equipment	74	772
Proceeds from disposal of a subsidiary (note 21)	459	–
Additions of restricted bank deposits	(497)	(16)
NET CASH GENERATED FROM INVESTING ACTIVITIES	144	6,202
FINANCING ACTIVITIES		
Capital contributions made by the non-controlling interests	5	–
Repayment of borrowings	(91)	(9,668)
Interest paid	(9)	–
Additions of borrowings	761	–
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	666	(9,668)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	5,873	(51,038)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	44,011	183,449
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	609	(19,757)
	50,493	112,654
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, representing bank balances and cash as stated in the condensed consolidated statement of financial position	50,493	112,654





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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.

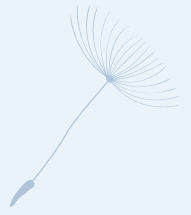
Although the Group Reorganisation as detailed in the annual report for the year ended 31 December 2023 has largely alleviated the imminent financial difficulties of the Group, remaining borrowings and interest payables of the Group, together with Group’s exiting financial position as at the period end 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. Accordingly, 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 these condensed consolidated financial statements, the Group did not repay any principal and interest payables of the Defaulted Borrowings and other bank and other borrowings.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024



1. BASIS OF PREPARATION *(Continued)*

GOING CONCERN BASIS *(Continued)*

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.
- 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 these condensed consolidated financial statements.





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

2. MATERIAL ACCOUNTING POLICIES

The condensed consolidated financial statements have 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 statements:

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 these condensed consolidated financial statements.

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

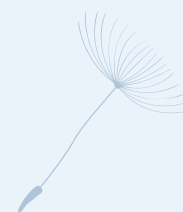
3. REVENUE

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

	Six months ended 30 June (unaudited)	
	2024 RMB'000	2023 RMB'000
Property development segment		
Types of goods		
Sales of completed properties	60,295	188,351
Geographical market		
The People's Republic of China ("PRC")	60,295	188,351
Timing of revenue recognition		
A point in time	60,295	188,351

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024



3. REVENUE *(Continued)*

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS *(Continued)*

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

Six months ended 30 June 2023 (unaudited)

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

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 RMB'000	Property investment RMB'000	Segment total RMB'000
Segment revenue (external)	60,295	417	60,712
Segment loss	(76,100)	(5,035)	(81,135)
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			(3,532)
Loss before taxation			(332,421)





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

4. SEGMENT INFORMATION *(Continued)*

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

Six months ended 30 June 2023 (unaudited)

	Property development RMB'000	Property investment RMB'000	Segment total RMB'000
Segment revenue (external)	188,351	–	188,351
Segment loss	(161,677)	(5,437)	(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			(9,655)
Loss before taxation			(268,867)

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

SEGMENT ASSETS

At 30 June 2024 (unaudited)

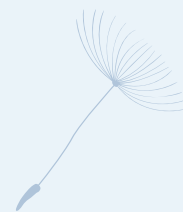
	Property development RMB'000	Property investment RMB'000	Segment total RMB'000
Segment assets	2,945,568	593,425	3,538,993
Unallocated			2,855,960
Consolidated total assets			6,394,953

At 31 December 2023 (audited)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024



4. SEGMENT INFORMATION *(Continued)*

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

SEGMENT LIABILITIES

At 30 June 2024 (unaudited)

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

At 31 December 2023 (audited)

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

5. IMPAIRMENT LOSSES

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





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

6. OTHER INCOME, GAINS AND LOSSES

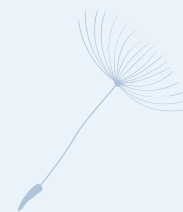
	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Other income:		
Rental income from temporary lease of completed properties for sales	116	717
Interest income on bank deposits	108	662
Others	50	350
	274	1,729
Other gains and losses:		
Gain on disposal of property, plant and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

7. FINANCE COSTS

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024



8. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Current tax expense:		
PRC Enterprise Income Tax ("EIT")	2,497	1,931
Land Appreciation Tax ("LAT")	(22,821)	7,856
Deferred tax credit	(20,324) (85)	9,787 (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 statements 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.





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

9. LOSS FOR THE PERIOD

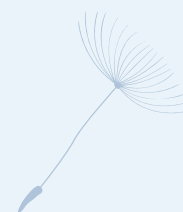
	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Loss for the period has been arrived at after charging/(crediting):		
Cost of properties for sale included in cost of sales	124,471	212,842
Impairment losses on properties under development/properties for sale included in cost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

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024



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 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(302,399)	(256,813)

NUMBER OF SHARES:

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

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. PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment during the six months ended 30 June 2024 are summarised as follows:

	RMB'000
At 1 January 2024 (audited)	18,893
Disposal	(60)
Depreciation charge for the period	(997)
At 30 June 2024 (unaudited)	17,836

13. RIGHT-OF-USE ASSETS

The movements in right-of-use assets during the six months ended 30 June 2024 are summarised as follows:

	RMB'000
At 1 January 2024 (audited)	20,151
Depreciation charge for the period	(340)
At 30 June 2024 (unaudited)	19,811





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

14. INVESTMENT PROPERTIES

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

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.

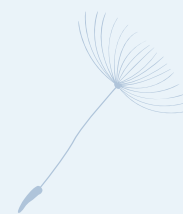
The investment properties are situated in the PRC.

15. PROPERTIES UNDER DEVELOPMENT/PROPERTIES FOR SALE

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024



16. RECEIVABLES AND PREPAYMENTS

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Lease receivables (note a)	25,051	25,049
Other receivables, deposits and prepayments (note c)	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 (note b)	3,908	3,908
	3,374,806	3,377,647

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.

17. 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 repayment on demand.





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

18. PAYABLES AND ACCRUALS

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Trade payables (note a)	44,063	31,448
Retention payables	992	992
Interest payables	1,187,172	1,012,538
Other payables and accruals (note b)	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
	5,130,528	4,974,843

Notes:

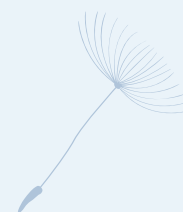
- a. Trade payables mainly represent the payables to suppliers for construction work. The credit period for trade payables ranged from 0 to 30 days.
- b. Other payables and accruals consist of amounts due to former subsidiaries of approximately RMB3,135,591,000 (31 December 2023: RMB3,121,181,000). These 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 RMB'000 (unaudited)	31 December 2023 RMB'000 (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	–
	44,063	31,448

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024



19. BORROWINGS

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

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).

20. SHARE CAPITAL

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





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

21. DISPOSAL OF A SUBSIDIARY

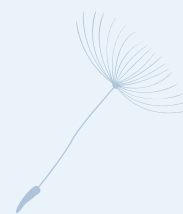
During the period, the Group entered into a sale and purchase agreements with an independent third party to dispose the equity interest in 湖南亞太美立方投資置業有限公司 (“**Hunan Yatai**”) at the consideration of RMB500,000. The disposal was completed on 23 May 2024. Upon completion of the disposal, Hunan Yatai ceased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

	RMB'000
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)
Net assets derecognised of	4,815
Loss on disposal of Hunan Yatai:	
Cash consideration	500
Net assets derecognised of Hunan Yatai	(4,815)
Loss on disposal of Hunan Yatai	(4,315)
Net cash inflow arising from disposal of Hunan Yatai:	
Cash consideration	500
Less: bank balances and cash derecognised	(41)
	459

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024



22. 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 RMB'000 (unaudited)	31 December 2023 RMB'000 (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
	1,947,174	2,012,200

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

23. OTHER COMMITMENTS

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

24. CONTINGENT LIABILITIES

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





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

25. RELATED PARTY BALANCES AND TRANSACTIONS

- (a) During the six months ended 30 June 2024, the following parties are identified as related parties to the Group and the respective relationships are set out below:

Name of related party	Relationship
Mr. Pan Haoran	Former ultimate controlling shareholder, former executive director and former chief executive officer who resigned on 26 July 2023
Mr. Pan Weiming	Former ultimate controlling shareholder and former director who resigned on 7 September 2019 and is a close family member of Mr. Pan Haoran
Ms. Chen Weihong	Spouse of Mr. Pan Weiming
Fujian Liujian Group Co., Ltd. (" Fujian Liujian ")	Mr. Pan Weiming is the former controlling Shareholder
Fusheng Group	Mr. Pan Weiming is the former controlling Shareholder
Changsha Fusheng Property Co., Ltd (" Changsha Fusheng ")	Mr. Pan Weiming is the former controlling Shareholder
Fujian Fullsun Group Co., Ltd. (" Fujian Fullsun Group ")	Mr. Pan Weiming is the former controlling Shareholder

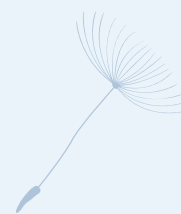
- (b) The Group did not have the any material balances with its related parties at the end of each reporting period.
- (c) The Group did not enter into any material transactions with its related parties during the six months ended 30 June 2024 and 2023.
- (d) Remuneration of key management personnel, who are the top five highest paid employees of the Group, is as follows:

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Salaries and allowances	1,914	1,985
Performance related bonus	170	120
Retirement benefit contributions	22	26
	2,106	2,131

- (e) Fusheng Group, Fujian Fullsun Group, Tongda Enterprises Limited, Ms. Chen Weihong and Mr. Pan Haoran, all being related parties of the Company, have (jointly or severally) provided guarantees to the Group in favour of lenders in respect of various borrowings of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024



26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The following table gives information about how the fair values are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)		
Equity instruments designated at FVTOCI	500	500	Level 3	Discounted cash flow-Future cash flows are estimated based on expected return, and the contracted investment costs, discounted at a rate that reflects the internal rate of return of various property projects. (note 1)

FAIR VALUE OF THE GROUP'S OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE NOT MEASURED AT FAIR VALUE ON A RECURRING BASIS

Notes:

1. The significant unobservable input is discount rate and if the discount rate increases, the fair value would decrease and vice versa.
2. The significant unobservable input of the market price of properties for sale of the deconsolidated subsidiaries, which represents a substantial portion of the fair value of interests in deconsolidated subsidiaries, is the market price of observable transactions of similar properties for which price per square meter have been adjusted to reflect the location and other individual factors such as floor level, timing of transactions and size of property, etc. If the market price of properties for sale increases, the fair value would increase and vice versa.

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated financial statements approximate their fair values.

The management of the Group estimates the fair value of other financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis.

27. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

Saved as disclosed in note 21 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.

28. 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.

