JAPAN KYOSEI GROUP COMPANY LIMITED
日本共生集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00627)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

GROUP FINANCIAL HIGHLIGHTS

For the year ended 31 December 2023:

- The revenue was approximately RMB248,399,000 (2022: RMB1,793,763,000);
- The loss attributable to owners of Japan Kyosei Group Company Limited (the "**Company**") was approximately RMB489,482,000 (2022: loss of RMB663,554,000);
- Basic and diluted loss per share attributable to owners of the Company were RMB71.67 cents (2022 (restated): basic and diluted loss per share of RMB583.84 cents); and
- The board (the "**Board**") of directors (the "**Directors**") of the Company does not recommend the payment of any final dividend.

The Board is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2023 (the "**Year**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	NOTES	**2023** *RMB'000*	2022 *RMB'000*
Revenue	*4*		
Contracts with customers		**247,785**	1,793,263
Leases		**614**	500
Total revenue		**248,399**	1,793,763
Cost of sales		**(483,252)**	(2,093,759)
Gross loss		**(234,853)**	(299,996)
Other income		**4,538**	10,462
Other gains and losses, net		**(5,998)**	(83,194)
Selling and distribution expenses		**(38,640)**	(42,822)
Administrative expenses		**(46,065)**	(55,610)
Change in fair value of investment properties	*11*	**(79,390)**	(36,881)
Change in fair value of interests in deconsolidated subsidiaries		**–**	(13,397)
Impairment losses, net of reversal	*6*	**(607,950)**	(283,578)
Other expenses		**(3,223)**	(722)
Gain on disposal of a subsidiary	*16*	**108,161**	–
(Loss)/gain on deconsolidation of subsidiaries	*17(A)(B)*	**(69,099)**	263,251
Gain on the Group Reorganisation	*18*	**788,983**	–
Finance costs		**(492,057)**	(136,954)
Loss before taxation		**(675,593)**	(679,441)
Income tax expense	*7*	**(11,155)**	(53,397)
Loss for the year	*8*	**(686,748)**	(732,838)

	NOTES	2023 RMB'000	2022 RMB'000
Other comprehensive (expense)/income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		**24,969**	3,716
Release of translation reserve upon deconsolidation/disposal of subsidiaries		**–**	8,110
Release of translation reserve from the Group Reorganisation		**(29,220)**	–
Other comprehensive (expense)/income for the year		**(4,251)**	11,826
Total comprehensive expense for the year		**(690,999)**	(721,012)
Loss for the year attributable to:			
Owners of the Company		**(489,482)**	(663,554)
Non-controlling interests		**(197,266)**	(69,284)
		(686,748)	(732,838)
Total comprehensive expense attributable to:			
Owners of the Company		**(493,733)**	(651,728)
Non-controlling interests		**(197,266)**	(69,284)
		(690,999)	(721,012)
Loss per share			(Restated)
– Basic *(RMB cents)*	*10*	**(71.67)**	(583.84)
– Diluted *(RMB cents)*	*10*	**(71.67)**	(583.84)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	NOTES	**31 December 2023** ***RMB'000***	31 December 2022 *RMB'000*
Non-current Assets			
Property, plant and equipment		**18,893**	21,481
Right-of-use assets		**20,151**	20,831
Investment properties	*11*	**578,100**	657,490
Interest in a joint venture		**–**	–
Equity instrument designated at fair value through other comprehensive income ("**FVTOCI**")		**500**	500
Deferred tax assets		**3,258**	131,844
		620,902	832,146
Current Assets			
Properties under development/properties for sale	*12*	**2,292,864**	5,901,290
Trade and other receivables and prepayments	*13*	**3,377,647**	1,036,054
Amounts due from non-controlling shareholders		**240,522**	284,362
Prepaid income tax		**67,899**	177,684
Restricted bank deposits		**1,045**	10,448
Bank balances and cash		**44,011**	183,449
		6,023,988	7,593,287
Interests in deconsolidated subsidiaries	*18*	**–**	22,714
		6,023,988	7,616,001

	NOTES	31 December 2023 RMB'000	31 December 2022 RMB'000
Current Liabilities			
Trade and other payables and accruals	*14*	**4,974,843**	3,088,388
Contract liabilities		**317,519**	1,722,401
Amounts due to non-controlling shareholders		**179**	–
Income tax payable		**240,616**	410,563
Borrowings – due within one year	*15*	**1,657,501**	2,695,270
		7,190,658	7,916,622
Net Current Liabilities		**(1,166,670)**	(300,621)
Total Assets Less Current Liabilities		**(545,768)**	531,525
Capital and Reserves			
Share capital	*19*	**12,924**	96,031
Reserves		**(1,026,226)**	(769,276)
Deficit attributable to owners of the Company		**(1,013,302)**	(673,245)
Non-controlling interests		**300,524**	900,579
Total (Deficit)/Equity		**(712,778)**	227,334
Non-current Liabilities			
Borrowings – due after one year	*15*	**–**	8,844
Deferred tax liabilities		**167,010**	295,347
		167,010	304,191
		(545,768)	531,525

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL

The Company is incorporated in Bermuda as a limited liability company and its shares (the "**Shares**") are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business is Room 1104, 11/F, Kai Tak Commercial Building, 66-72 Stanley Street, Central, Hong Kong. The principal activity of the Company is investment holding and the principal activities of its subsidiaries and joint venture are principally engaged in property development and property investment business.

Prior to the Group Reorganisation (as defined in Note 2), the immediate and ultimate holding company of the Company was Tongda Enterprises Limited ("**Tongda**"), a company established in the British Virgin Islands (the "**BVI**") with limited liability and was previously 100% owned by Mr. Pan Weiming. On 9 September 2019, the Company was notified by Mr. Pan Weiming that he transferred (the "**Tongda Transfers**") (i) all the issued Shares in Tongda to his son, Mr. Pan Haoran; and (ii) the 1,080,000 ordinary Shares of par value HK$0.01 each in the Company directly held by him to Tongda, by way of a gift with no monetary consideration as part of a family succession plan. Mr. Pan Haoran became then ultimate controlling shareholder of the Company, indirectly holding approximately 56.45% of all the issued Shares through Tongda upon the completion of the Tongda Transfers.

As part of the Group Reorganisation, the Company completed the Shares Consolidation and Capital Reduction on 17 July 2023. Subsequently on 26 July 2023, 994,019,402 ordinary shares was issued to Jet Power Investments Limited (**"Jet Power"**) and 313,000,000 ordinary shares was issued to several placees. Jet Power which is interested in 69.97% of the ordinary shares of the Company, becomes the immediate and ultimate holding company of the Company from 26 July 2023 onwards.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The consolidated financial statement have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared on a historical cost basis, except for investment properties and certain financial assets at FVTOCI, which are carried at fair value.

Going concern basis

The Group reported a net loss of approximately RMB687 million during the year ended 31 December 2023. As at 31 December 2023, the Group's total deficit attributable to owners of the Company amounted to approximately RMB1,013 million and its current liabilities exceeded its current assets approximately RMB1,167 million. At the same date, the Group's total borrowings amounted to approximately RMB1,658 million are all classified as current liabilities, 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 RMB2,012 million. As at 31 December 2023, the Group had total unrestricted cash and cash equivalents of approximately RMB44 million.

As at 31 December 2023, 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 RMB996 million. Such non-repayments are collectively referred to as the "Defaulted Events". As a result, the entire outstanding principal and interest payables of the Defaulted Borrowings of approximately RMB2,610 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 RMB10 million are also repayable within one year or on demand.

The completion of the Group Reorganisation on 26 July 2023, included a series of equity transactions: (i) the Shares Consolidation, (ii) the Capital Reduction, (iii) issue of shares to new investors and (iv) transfer of equity interests in certain subsidiaries to a designated entity (the "SchemeCo") in exchange for the discharge of the Company's indebtedness and the Company and certain subsidiaries' obligations as security providers and guarantors in respect of several defaulted borrowings, as well as the dismissal of the winding up petition brought up by one of the lenders of the Defaulted Borrowing. Despite the Group Reorganisation has largely alleviated the imminent financial difficulties of the Group, remaining borrowings and interest payables of the Group, together with the Group's existing financial position as at the year end and operating results for the year 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 31 December 2023, the Group's amounts due to former subsidiaries of approximately RMB3,121 million (Note 14(a)) would fall due for immediate repayment if requested by the former subsidiaries and the SchemeCo.

These conditions, together with other matters as described thereafter, 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 consolidated financial statements, the Group did not repay of any principal and interest payables of the Defaulted Borrowings, other bank and other borrowings and amounts due to former subsidiaries.

Taking into account the high interest and refinancing costs expected to be incurred, management expects that the Group's operating results for the year ending 31 December 2024 might be significantly affected under such circumstance.

The above conditions indicate the existence of multiple material uncertainties which cast significant doubt regarding the Group's ability to continue as a going concern. In view of such circumstances, 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 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 or guarantor for immediate payment of the principals and interest payables of these 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 Group's liquidity, including but not limited to offsetting arrangement and settlement of these balances by way of instalments; and

d. the Group has implemented measures to control administrative costs and contain capital expenditures; and to seek other alternative financing from new investors to fund the settlement of its existing financial obligations and future operating expenditure.

The Directors have reviewed the Group's cash flow projections prepared by management (the "**Cash Flow Projections**"), which cover a period of not less than twelve months from 31 December 2023. The Directors are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2023. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, multiple material uncertainties exist as to whether management 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 in accordance with the timelines projected by management in the Cash Flow Projections; 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 these consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 and amendments to HKFRS 17	Insurance Contracts and Related Amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 17	Initial Application of HKFRS 17 and HKFRS 9 Comparative Information
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") - Long Service Payment ("LSP") offsetting mechanism in Hong Kong

The Group is obliged to pay LSP to Hong Kong employees under certain circumstances. Starting from June 2022, the Government of the HKSAR abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "**Abolition**"). The Abolition will officially take effect on 1 May 2025 (the "**Transition Date**"). In July 2023, the HKICPA published guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively. The Directors consider that the effect of the Abolition is insignificant to the Group's consolidated financial position as at 1 January 2023 and 31 December 2023, and the consolidated financial performance for the year then ended.

The application of these new and amendments to HKFRSs and the HKICPA guidance had no material impact on the Group's financial position and performance for the current and prior years and/or on the disclosure set out in the consolidated financial statement,

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Related Amendments to Hong Kong Interpretation 5[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKAS 21	Lack of Exchangeability[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2024.
2 Effective for annual periods beginning on or after 1 January 2025.
3 Effective for annual periods beginning on or after a date to be determined.

The Directors anticipate that the application of amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. REVENUE

(i) Disaggregation of revenue from contracts with customers

	2023	2022
	RMB'000	*RMB'000*
Property development segment		
Types of goods		
Sales of completed properties	**247,785**	1,793,263
Geographical market		
The People's Republic of China (the "**PRC**")	**247,785**	1,793,263
Timing of revenue recognition		
At a point in time	**247,785**	1,793,263

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

	For the year ended 31 December 2023		
	Property development	**Property investment**	**Consolidated total**
	RMB'000	***RMB'000***	***RMB'000***
Sales of completed properties	**247,785**	**–**	**247,785**
Revenue from contracts with customers	**247,785**	**–**	**247,785**
Leases	**–**	**614**	**614**
Total revenue	**247,785**	**614**	**248,399**

	For the year ended 31 December 2022		
	Property development	Property investment	Consolidated total
	RMB'000	*RMB'000*	*RMB'000*
Sales of completed properties	1,793,263	–	1,793,263
Revenue from contracts with customers	1,793,263	–	1,793,263
Leases	–	500	500
Total revenue	1,793,263	500	1,793,763

(ii) Performance obligations for contracts with customers

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customer's specifications with no alternative use. Based on the relevant contract terms, the legal environment and relevant legal precedent, the Directors concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of properties is therefore recognised at a point in time when the completed property is transferred to the customer, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

The Group receives 5% to 100% of the contract value from customers when they sign the sale and purchase agreement. For the customers who use mortgage loans provided by the banks, the remaining portion of the total contract value will be paid to the Group from the banks once the customers meet the requirements of the banks. Such advance payment schemes result in contract liabilities being recognised throughout the property construction period for the full amount of the contract price while construction work of properties is still ongoing.

The Group considers the advance payment schemes contain significant financing component and accordingly the amount of consideration is adjusted for the effects of the time value of money taking into consideration the credit characteristics of the Group. As this accrual increases the amount of the contract liability during the period of construction, it increases the amount of revenue recognised when control of the completed property is transferred to the customer. The Group has applied the practical expedient in HKFRS 15 *Revenue from Contracts with Customers* and has not considered the financing component of contracts which are expected to be completed within one year from the date of payment made by customers.

The Group has applied the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2023 and 2022, and the expected timing of recognising revenue related to sales of properties are as follows:

	2023	2022
	RMB'000	*RMB'000*
Within one year	**317,519**	1,583,944
More than one year	**–**	138,457
	317,519	1,722,401

(iv) Leases

	2023	2022
	RMB'000	*RMB'000*
For operating leases:		
Lease payments that are fixed or depend on an index or a rate	**614**	500

5. SEGMENT INFORMATION

Information reported to the Directors, being the chief operating decision makers ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. Specifically, the Group's reportable segments under HKFRS 8 *Operating Segment* are as follows:

Property development	Developing and selling of commercial, apartments and residential properties in the PRC
Property investment	Leasing of investment properties in the PRC

Segment revenue and results

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

For the year ended 31 December 2023

	Property development *RMB'000*	**Property investment** *RMB'000*	**Segment total** *RMB'000*
Segment revenue (external)	**247,785**	**614**	**248,399**
Segment loss	**(279,371)**	**(90,690)**	**(370,061)**
Impairment losses, net of reversal			**(607,950)**
Finance costs			**(492,057)**
Bank interest income			**1,275**
Exchange loss			**(25,655)**
Gain on disposal of a subsidiary			**108,161**
Loss on deconsolidation of a subsidiary			**(69,099)**
Gain on the Group Reorganisation			**788,983**
Unallocated expense			**(9,190)**
Loss before taxation			**(675,593)**

For the year ended 31 December 2022

	Property development *RMB'000*	Property investment *RMB'000*	Segment total *RMB'000*
Segment revenue (external)	1,793,263	500	1,793,763
Segment loss	(365,307)	(47,296)	(412,603)
Impairment losses, net of reversal			(283,578)
Finance costs			(136,954)
Bank interest income			5,828
Exchange loss			(83,194)
Gain on deconsolidation of a subsidiary			263,251
Unallocated expense			(32,191)
Loss before taxation			(679,441)

Segment loss represents the loss incurred arising from each segment without allocation of gain on disposal of a subsidiary, gain on the Group Reorganisation, (loss)/gain on deconsolidation of subsidiaries, bank interest income, exchange loss, impairment losses (other than properties under development/properties for sales and net of reversal), finance costs and unallocated expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

Segment assets

At 31 December 2023

	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**

At 31 December 2022

	Property development *RMB'000*	Property investment *RMB'000*	Segment total *RMB'000*
Segment assets	6,421,717	669,276	7,090,993
Unallocated			1,357,154
Consolidated total assets			8,448,147

Segment liabilities

At 31 December 2023

	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**

At 31 December 2022

	Property development *RMB'000*	Property investment *RMB'000*	Segment total *RMB'000*
Segment liabilities	2,833,697	161,374	2,833,858
Unallocated			5,386,955
Consolidated total liabilities			8,220,813

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than certain property, plant and equipment, right-of-use assets, interest in a joint venture, equity instrument designated at FVTOCI, deferred tax assets, certain trade and other receivables and prepayments, amounts due from non-controlling shareholders, prepaid income tax, restricted bank deposits, bank balances and cash and unallocated corporate assets of headquarter.

- all liabilities are allocated to operating segments other than certain trade and other payables, amounts due to non-controlling shareholders, income tax payable, borrowings, lease liabilities, deferred tax liabilities and unallocated corporate liabilities of headquarter.

- Interests in deconsolidated subsidiaries were allocated to the property development segment.

- Certain comparative figures have been reclassified among segments to conform with the Group structure after the Group Reorganisation.

6. IMPAIRMENT LOSSES, NET OF REVERSAL

	2023	2022
	RMB'000	*RMB'000*
Other receivables	**(2,702)**	21,428
Amounts due from non-controlling shareholders	**28,516**	(9,456)
Amounts due from deconsolidated subsidiaries	**582,136**	271,606
	607,950	283,578

7. INCOME TAX EXPENSE

	2023	2022
	RMB'000	*RMB'000*
Current tax expense:		
PRC Enterprise Income Tax ("**EIT**")	**3,918**	56,298
PRC Land Appreciation Tax ("**LAT**")	**9,098**	12,989
	13,016	69,287
Deferred tax credit	**(1,861)**	(15,890)
	11,155	53,397

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Hong Kong subsidiaries incurred tax losses during current and prior years.

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.

8. LOSS FOR THE YEAR

	2023	2022
	RMB'000	*RMB'000*
Loss for the year has been arrived at after charging/(crediting):		
Auditors' remuneration		
Audit service	**1,200**	1,660
Non-audit services	**377**	301
	1,577	1,961
Cost of properties for sale included in cost of sales	**415,591**	1,908,282
Impairment loss on properties under development/properties for sale included in cost of sales, net of reversal	**67,570**	184,957
(Gain)/loss on disposal and written off of property, plant and equipment	**(200)**	5
Gain on termination of leases	**–**	(10)
Depreciation of property, plant and equipment of which Nil (2022: RMB81,000) is included under cost of sales	**2,622**	1,598
Depreciation of right-of-use assets	**680**	792
Total depreciation	**3,302**	2,390
Gross rental income from investment properties	**(614)**	(500)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**91**	520
	(523)	20
Staff costs		
Staff salaries and allowances	**19,086**	35,703
Retirement benefit contributions	**2,529**	3,920
Total staff costs, excluding directors' remuneration	**21,615**	39,623
Less: amount capitalised to properties under development	**–**	(9,381)
	21,615	30,242

9. DIVIDENDS

No dividend was paid to or proposed for shareholders of the Company during the years ended 31 December 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

10. 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 are calculated as follows:

	2023	2022
	RMB'000	*RMB'000*
Loss for the purpose of basic and diluted loss per share for the year attributable to owners of the Company	**(489,482)**	(663,554)

Number of shares

	2023	2022
		(Restated)
Weighted average number of ordinary shares for the purpose of basic loss per share	**683,012,996**	113,653,860

The weighted average number of shares used for the purpose of calculating basic loss per share for the years ended 31 December 2023 and 2022 are determined by reference to the number of ordinary shares issued.

The weighted average number of ordinary shares for the year ended 31 December 2022 has been restated to reflect the impact of the Share Consolidation (Note 19) to basic and diluted loss per share.

Since there was no dilutive ordinary shares during the years ended 31 December 2023 and 2022, diluted loss per share is equal to basic loss per share.

11. INVESTMENT PROPERTIES

	Completed Investment Properties
	RMB'000
Completed properties, at fair value	
At 1 January 2022	694,371
Change in fair value of investment properties	(36,881)
At 31 December 2022	657,490
Change in fair value of investment properties	(79,390)
At 31 December 2023	**578,100**
Unrealised change in fair value of investment properties included in profit or loss for the year ended	
– 31 December 2023	**(79,390)**
– 31 December 2022	(36,881)

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 and held under-long-term lease for both years.

As at 31 December 2023 and 2022, the fair value of the Group's completed investment properties were arrived at on the basis of a valuation carried out by independent qualified professional valuers not connected with the Group, which have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

12. PROPERTIES UNDER DEVELOPMENT/PROPERTIES FOR SALE

	31 December 2023	31 December 2022
	RMB'000	*RMB'000*
Properties under development	**379,801**	3,763,237
Properties for sale	**1,913,063**	2,138,053
	2,292,864	5,901,290
Analysis of leasehold lands:		
As at 1 January		
Carrying amount	**1,089,384**	1,119,818
As at 31 December		
Carrying amount	**629,812**	1,089,384

The inventory of properties are located in the PRC (2022: the PRC). Included in the amounts are properties under development/properties for sale of approximately RMB379,801,000 (2022: RMB4,723,911,000) which are expected to be completed and realised (for properties under development) and realised (for properties for sale) after more than twelve months from the end of the reporting period.

The Group recognised impairment loss on properties under development/properties for sale of approximately RMB67,570,000 (2022: RMB184,957,000) which was included under cost of sales.

13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	31 December 2023	31 December 2022
	RMB'000	*RMB'000*
Trade receivables from sales of properties *(note a)*	**–**	795
Lease receivables *(note b)*	**25,049**	28,551
Other receivables, deposits and prepayments *(note e)*	**3,313,376**	810,836
Refundable deposits paid	**25,277**	41,083
Guarantee deposits *(note c)*	**–**	81,688
Prepayments to suppliers	**5,541**	6,882
Prepaid other taxes	**4,496**	62,903
Advance to a third party *(note d)*	**3,908**	3,316
	3,377,647	1,036,054

Notes:

a. Trade receivables mainly arose from sales of properties. Consideration in respect of properties sold is paid in accordance with the terms of the related sales and purchase agreements, normally within 180 days from the date of agreement.

b. For lease receivables, the Group has applied the simplified approach in HKFRS 9 *Financial Instruments* to measure the loss allowance at lifetime expected credit losses ("**ECL**"). The Group determines the ECL on individual debtors balances. The ECL on lease receivables is considered as insignificant.

c. The amounts represented guarantee deposits paid to certain trust companies as the security for loans provided to the Group. Guarantee deposits of RMB81,688,000 was released in full upon the completion of the Group Reorganisation (Note 18).

d. The advance is unsecured and expected to be recovered within one year. The advance comprises mainly earnest money for potential projects.

e. Other receivables, deposits and prepayments consist of amounts due from deconsolidated subsidiaries of gross amount of approximately RMB853,742,000 (2022: RMB559,396,000) (net of impairment loss provision of approximately RMB853,742,000 (2022: RMB271,606,000)), amounts due from related companies of approximately HK$8,187,000 (2022: nil), and amounts due from former subsidiaries of approximately RMB3,050,739,000 (2022: nil) arising from the Group Reorganisation (Note 18). All of the amounts are unsecured, interest-free and repayable on demand.

The following is an aged analysis of trade receivables based on the date of delivery of the properties to the customers at the end of each reporting period.

	31 December 2023	31 December 2022
	RMB'000	*RMB'000*
Over 1 year	**–**	795

No impairment loss on trade receivables was provided during the years ended 31 December 2023 and 2022, taking into account the past low default rate and the concentration risk is limited because the customer base is large and unrelated.

14. TRADE AND OTHER PAYABLES AND ACCRUALS

	31 December 2023	31 December 2022
	RMB'000	*RMB'000*
Trade payables	**31,448**	177,140
Retention payables	**992**	1,272
Interest payables	**1,012,538**	1,212,968
Other payables and accruals *(note a)*	**3,388,819**	1,090,176
Other tax payables	**202,233**	177,571
Consideration payables for acquisition of a subsidiary	**82,658**	82,658
Deposit received	**1,605**	1,399
Accrued construction costs	**242,653**	302,152
Provision for litigation	**11,897**	43,052
	4,974,843	3,088,388

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

	31 December 2023	31 December 2022
	RMB'000	*RMB'000*
0 to 60 days	**29,364**	64,603
61 to 180 days	**2,084**	24,693
181 to 365 days	**–**	3,901
Over 1 year	**–**	83,943
	31,448	177,140

Note:

a. Other payables and accruals consist of amounts due to deconsolidated subsidiaries of nil (2022: RMB559,396,000), amounts due to former subsidiaries of RMB3,121,181,000 (2022: nil) and amounts due to related companies of nil (2022: RMB27,289,000), respectively. These amounts are unsecured, interest-free and repayable on demand.

15. BORROWINGS

	31 December 2023 *RMB'000*	31 December 2022 *RMB'000*
Bank loans	**–**	151,500
Loans from third parties	**1,657,501**	2,552,614
	1,657,501	2,704,114
Less: amounts due within one year/repayable on demand/past due shown under current liabilities	**(1,657,501)**	(2,695,270)
	–	8,844

16. DISPOSAL OF A SUBSIDIARY

湖南晟冉房地產開發有限公司("HUNAN SHENGRAN")

On 7 October 2023, the Group entered into a sale and purchase agreements with an independent third party to dispose the equity interest in Hunan Shengran at the consideration of approximately RMB500,000. The disposal was completed on 7 October 2023. Upon completion of the disposal, Hunan Shengran ceased to be an indirectly wholly owned subsidiary of the Group, resulting to a gain on disposal of approximately RMB108,161,000.

The net liabilities of Hunan Shengran at the date of disposal were as follows:

	RMB'000
Deferred tax assets	**4,819**
Properties for sale	**204,792**
Trade and other receivables and prepayments	**18,154**
Bank balances and cash	**10**
Trade and other payables and accruals	**(207,772)**
Contract liabilities	**(17,108)**
Income tax payable	**(102,982)**
Borrowing – due within one year	**(4,185)**
Deferred tax liabilities	**(3,389)**
Net liabilities derecognised of	**(107,661)**
Gain on disposal of Hunan Shengran:	
Cash consideration	**500**
Net liabilities derecognised of Hunan Shengran	**107,661**
Gain on disposal of Hunan Shengran	**108,161**
Net cash inflow arising from disposal of Hunan Shengran:	
Cash consideration	**500**
Less: bank balances and cash derecognised	**(10)**
	490

17. DECONSOLIDATION OF SUBSIDIARIES

A. DECONSOLIDATION OF 湖南興汝城房地產開發有限公司 ("HUNAN XINGRU")

The Group deconsolidated Hunan Xingru, a non-wholly owned indirect subsidiary of the Group on 21 April 2023 as a result of the force liquidation order imposed by the Changsha City Intermediate People's Court ("**Changsha Court**") over Hunan Xingru and actions taken by receivers appointed by the Changsha Court, resulting to a loss on deconsolidation of approximately RMB69,099,000.

The net assets of Hunan Xingru at the date of deconsolidation were as follows:

	RMB'000
Property, plant and equipment	**452**
Deferred tax assets	**1**
Properties for sale	**536,055**
Trade and other receivables and prepayments	**11,581**
Amounts due from non-controlling shareholders	**4,107**
Restricted bank deposits	**16**
Bank balances and cash	**694**
Trade and other payables and accruals	**(81,261)**
Contract liabilities	**(201)**
Income tax payable	**(9,119)**
Net assets derecognised of	**462,325**
Loss on deconsolidation of Hunan Xingru:	
Cash consideration	**–**
Net assets derecognised of	**(462,325)**
Non-controlling interest	**393,226**
Loss on deconsolidation of Hunan Xingru	**(69,099)**
Net cash outflow arising from deconsolidation of Hunan Xingru:	
Cash consideration	**–**
Less: bank balances and cash derecognised	**(694)**
	(694)

(B). DECONSOLIDATION OF VIVALINK LIMITED ("VIVALINK")

The Group deconsolidated Vivalink, an indirectly owned subsidiary of the Company on 1 January 2022 as a result of the actions taken by receivers on Vivialink, resulted to gain on deconsolidation of a subsidiary of approximately RMB263,251,000. Details are set out in the Company's 2022 Annual Report.

The net liabilities of Vivalink at the date of deconsolidation were as follows:

	RMB'000
Financial asset at fair value through profit or loss ("**FVTPL**")	7,987
Other receivables	34,621
Bank balances	892
Amounts due from former fellow subsidiaries	478,349
Amount due to former ultimate holding company	(159,548)
Amounts due to deconsolidated subsidiaries	(268,781)
Other payables	(12,998)
Interest payables	(21,398)
Other borrowings	(330,485)
Net liabilities derecognised of	(271,361)
Gain on deconsolidation of Vivalink:	
Cash consideration	–
Net liabilities derecognised of	271,361
Translation reserve released	(8,110)
Gain on deconsolidation of Vivalink	263,251
Net cash outflow arising from deconsolidation of Vivalink:	
Cash consideration	–
Less: bank balances derecognised	892
	(892)

18. GAIN ON THE GROUP REORGANISATION

As part of the Group Reorganisation, equity interests of certain subsidiaries (the "Scheme Subsidiaries") have been transferred to the SchemeCo, Gain Intelligence International Limited at zero consideration in exchange for the discharge of the Company's indebtedness and the Company and certain subsidiaries' obligations as security providers and guarantors in respect of several Defaulted Borrowings, as well as the dismissal of the winding up petition brought up by one of the lenders of the Defaulted Borrowings. Details of the Group Reorganisation are set out in the Company's circular dated 23 June 2023, the Company's announcement dated 26 July 2023 and Note 2 of this Announcement. Gain on the Group Reorganisation of approximately RMB788,983,000 is recognised .

The net liabilities of the Scheme Subsidiaries at the date of the Group Reorganisation were as follows:

	RMB'000
Property, plant and equipment	**198**
Deferred tax assets	**679**
Properties for sales	**2,668,646**
Trade and other receivables and prepayment	**208,955**
Amount due from fellow subsidiaries of the SchemeCo	**2,880,739**
Amounts due from former fellow subsidiaries *(Note i)*	**3,121,181**
Bank balances and cash	**11,756**
Amounts due to fellow subsidiaries of the SchemeCo	**(2,880,739)**
Amounts due to the Company *(Note i)*	**(253,316)**
Amounts due to former fellow subsidiaries *(Note i)*	**(2,797,423)**
Amount due to a deconsolidated subsidiary	**(559,396)**
Trade and other payables and accruals	**(946,696)**
Income tax payable	**(11,002)**
Borrowing – due within one year	**(1,041,990)**
Contract liabilities	**(1,349,242)**
Net liabilities derecognised of	**(947,650)**

	RMB'000
Gain on the Group Reorganisation:	
Cash consideration	**–**
Net liabilities derecognised of	**947,650**
Add: other liabilities of the Company derecognised as a result of the Group Reorganisation:	
– Borrowings - due within one year	**19,295**
– Other payables and accruals	**29,093**
– Amounts due to former fellow subsidiaries	**171**
Add: recognition of non-controlling interests	**9,563**
Less: direct application of proceeds from issue of shares for repayment to the SchemeCo *(Note ii)*	**(149,125)**
Less: Derecognition of interests in deconsolidated subsidiaries *(Note iii)*	**(22,714)**
Less: Expenses incurred for the Group Reorganisation	**(15,730)**
Less: Translation reserve released	**(29,220)**
Gain on the Group Reorganisation	**788,983**
Net cash outflow arising from the Group Reorganisation:	
Cash consideration	**–**
Less: bank balances derecognised	**(11,756)**
Less: transaction costs related to the Group Reorganisation	**(15,730)**
	(27,486)

Note i: Balances between the Group and the Scheme Subsidiaries were not offset nor waived pursuant to the arrangement of the Scheme (the "Scheme Arrangement"). As at 31 December 2023, amounts due from/(to) these Scheme Subsidiaries of approximately RMB3,050,739,000 and RMB3,121,181,000, respectively, are included within "Trade and other receivables and prepayments" (Note 13) and "Trade and other payables and accruals (Note 14).

Note ii: Proceeds from issue of shares of HK$168,000,000 (equivalent to approximately RMB149,125,000), after deduction of expenses incurred for the Group Reorganisation of approximately RMB15,730,000, was directly applied for repayment to the SchemeCo pursuant to the Scheme Arrangement.

Note iii: According to the Scheme Arrangement, any retained interests in the deconsolidated subsidiaries of Gold Assets Limited, Wise Think Limited and Vivalink Limited shall be transferred to the SchemeCo at the discretion of the receivers of these deconsolidated subsidiaries. Accordingly, the Group is no longer entitled to any retained interests in these deconsolidated subsidiaries.

19. SHARE CAPITAL

	Number of shares	Par value per share	Amount *HK$'000*	Equivalent to *RMB'000*
Ordinary shares				
Authorised:				
At 1 January 2022, 31 December 2022 and 1 January 2023	50,000,000,000	0.01	500,000	423,381
Share Consolidation on 17 July 2023 *(Note a)*	(49,500,000,000)		–	–
	500,000,000	1.00	500,000	423,381
Capital Reduction on 17 July 2023 *(Note b)*	49,500,000,000		–	–
As at 31 December 2023	**50,000,000,000**	**0.01**	**500,000**	**423,381**
Issued and paid:				
At 1 January 2022, 31 December 2022 and 1 January 2023	11,365,386,067	0.01	113,654	96,031
Share Consolidation on 17 July 2023 *(Note a)*	(11,251,732,207)		–	–
	113,653,860	1	113,654	96,031
Capital Reduction on 17 July 2023 *(Note b)*	–		(112,517)	(95,066)
	113,653,860	0.01	1,137	965
New shares issued *(Note c)*	1,307,019,402	0.01	13,070	11,959
As at 31 December 2023	**1,420,673,262**	**0.01**	**14,207**	**12,924**

Note a: On 17 July 2023, every 100 authorised and issued ordinary shares at par value HK$0.01 of the Company were consolidated into 1 consolidated share at HK$1.00 each (the "**Shares Consolidation**"). The authorised and issued number of ordinary shares were reduced to 500,000,000 and 113,653,860, respectively.

Note b: On 17 July 2023, immediately after the completion of Shares Consolidation, the Company's issued share capital was reduced from approximately HK$113,654,000 to approximately HK$1,137,000 (the "**Capital Reduction**"). The credit arising from the Capital Reduction of approximately HK$112,517,000 (equivalent to approximately RMB95,066,000) was credited to capital reserve of the Company. After the Capital Reduction, the authorised number of ordinary shares enlarged from 500,000,000 to 50,000,000,000 and par value decreased from HK$1 to HK$0.01 per ordinary share.

Note c: On 26 July 2023, as part of the Group Reorganisation, the number of ordinary shares of the Company in issue increased from 113,653,860 to 1,420,673,262 as a result of the allotment of 1,307,019,402 ordinary shares, which comprised of the issue of 994,019,402 ordinary shares to Jet Power and placing of 313,000,000 ordinary shares to placees.

20. EVENTS AFTER THE END OF THE REPORTING PERIOD

The Group does not have any material subsequent events after the reporting period and up to the date of this Announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Year, the total revenue of the Group was approximately RMB248,399,000, decreased by 86.2% as compared to that of the year ended 31 December 2022 (the "**Previous Year**") (Previous Year: RMB1,793,763,000).

During the Year, loss for the year attributable to owners of the Company was RMB489,482,000 (Previous Year: Loss for the year attributable to owners of the Company RMB663,554,000).

During the Year, the basic loss per share was RMB71.67 cents (Previous Year (restated): basic loss per share RMB583.54 cents). During the Year, the diluted loss per share was RMB71.67 cents (Previous Year (restated): diluted loss per share RMB583.54 cents).

As at 31 December 2023, the Group owned 10 projects under development and for sale and had a total gross floor area of approximately 452,032 sq.m. with gross floor area attributable to the Group of approximately 393,263 sq.m.. The Group also owned 2 investment properties with gross floor area attributable to the Group of 45,946 sq.m..

CONTRACTED SALES

During the Year, the Group had contracted sales of approximately RMB69.6 million (Previous Year: approximately RMB186 million).

Contract liabilities of approximately RMB318 million is estimated to be recognised as income in the coming 12 months upon the time of the actual transfer of the title of the properties to customers.

PROPERTY DEVELOPMENT

During the Year, revenue from sales of properties was approximately RMB247,785,000 (Previous Year: RMB1,793,263,000).

The revenue from sales of properties was mainly contributed by projects in Hunan Province, Fujian Province, Zhejiang Province and Guangdong Province across Mainland China. The recognised sales during the Year has decreased by 86.2% as compared to that of the Previous Year due to weakened demand during the Year.

PROPERTY INVESTMENT

Rental income for the Year was approximately RMB614,000 (Previous Year: approximately RMB500,000). Rental income was mainly contributed by the commercial investment properties in Changsha. During the Year, fair value loss on the Group's investment properties portfolio was approximately RMB79,390,000 due to the deterioration of the overall economic environment in the PRC.

OPERATING EXPENSES

During the Year, selling and distribution expenses was approximately RMB38,640,000 (Previous Year: RMB42,822,000), the cost-income ratio calculated as the relevant expenses divided by the revenue for the Year was 15.6% (Previous Year: 2.39%). During the Year, administrative expenses was approximately RMB46,065,000 (Previous Year: RMB55,610,000), the cost-income ratio calculated as the relevant expenses divided by the revenue for the Year was 18.5% (Previous Year: 3.10%). The decrease in operating expenses was due to the Group Reorganisation, disposal and deconsolidation of subsidiaries and effective cost control of the operation during the Year.

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 RMB492,057,000 for the Year (Previous Year: RMB136,954,000). The significant increase in finance cost was due to the cease of capitalisation interests due upon the completion of certain properties under development during the Year.

INCOME TAX EXPENSE

During the Year, the Group's income tax expense amounted to approximately RMB11,155,000, representing a decrease of 79.1% when compared to approximately RMB53,397,000 for the Previous Year. The Group's income tax expense mainly comprises of the provision of the PRC Enterprise Income Tax ("**EIT**"), the PRC Land Appreciation Tax ("**LAT**") and deferred tax credit. The significant decrease in income tax expense was attributable to deterioration of assessable profits of the Group's PRC subsidiaries and hence reduced both EIT and LAT exposures during the Year.

DIVIDEND

The Board does not recommend the payment of any final dividend for the Year (Previous Year: Nil).

PROSPECTS

Due to credit crisis of property developers in China, diminishing domestic demand for properties purchase and cash crunch in real estate development sector in Mainland China, the domestic property industry has experienced turbulence and an on-going deep correction, putting the entire industry in China into an unprecedented difficult situation amid a perplexing operating environment. As a result, 2023 was a challenging year for the Group.

In addition, the Group completed the capital reorganisation (comprising the Shares Consolidation, the Capital Reduction and issue of shares), the very substantial disposal in respect of transfer of equity interest in Scheme Subsidiaries to the SchemeCo (the "**Group Reorganisation**") in July 2023. Upon the completion of the Group Reorganisation, the Company appointed new members to the Board and established a new management team. The Board and the new management team shall earnestly seek potential projects for investment and look for feasible solutions to diversify the investment portfolio of the Group, it shall also explore investment opportunities of land and real estate projects beyond Mainland China, such as France in Europe and, Japan and Malaysia in Asia, with an aim to expand the business of the Group globally. On 30 November 2023, the English name of the Company has been changed from "Fullsun International Holdings Group Co., Limited" to "Japan Kyosei Group Company Limited" and the Chinese name of "日本共生集團有限公司" has been adopted as the Company's new name. The Board considers the change of company name can provide the Company with brand new corporate image and identity, benefiting the Group's future business development.

Additionally, the Board will actively approach those companies engaging real estate resources and land development in Japan to explore cooperation opportunities by leveraging its operating and development experience in real estate sector in Japan. The Board believes that taking part in a project at prime location would enhance the profitability of the Group and create better returns to its shareholders.

LIQUIDITY, FINANCIAL RESOURCE AND GEARING RATIO

As at 31 December 2023, bank balances and cash amounted to approximately RMB44,011,000 (2022: RMB183,449,000), which were principally denominated in RMB and HKD. The Group had total bank and other borrowings of approximately RMB1,657,501,000 (2022: RMB2,704,114,000) which carried interest at fixed interest rates and were denominated in RMB and HKD. The Group's total borrowings divided by total assets as at 31 December 2023 was 24.9% (2022: 32.0%). The net gearing ratio calculated as total borrowings less of amounts of bank balances and cash and restricted bank deposits divided by total deficit (2022: equity) of the Group as at 31 December 2023 was -226.2% (2022: 1,104.2%).

As at 31 December 2023, the Group had current assets of approximately RMB6,023,988,000 (2022: RMB7,616,001,000) and current liabilities of approximately RMB7,190,658,000 (2022: RMB7,916,622,000). The net liabilities of the Group as at 31 December 2023 was approximately RMB712,778,000 (2022: net assets of approximately RMB227,334,000) decreased by approximately 413.5%.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group had 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 PRC 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.

EVENTS AFTER THE REPORTING PERIOD

The Group does not have any material subsequent events after the reporting period and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

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

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Notwithstanding that 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), all major decisions are made in consultation with the Board. The Board considers that there is sufficient balance of power and the current corporate arrangement maintains a strong management position of the Company. Save for the above, the Company had complied with all code provisions as set out in the CG Code throughout the Year 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

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 Year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

AUDIT COMMITTEE

The Audit Committee of the Company was established with written terms of reference which are in line with the CG Code and comprises three independent non-executive Directors as at 31 December 2023.

The Audit Committee has reviewed the Group's annual results for the Year, and was of the opinion that the preparation of such results are in compliance with the relevant accounting standards, rules and regulations and that adequate disclosures have been made.

SCOPE OF WORK OF PKF HONG KONG LIMITED

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and related notes thereto for the year ended 31 December 2023 as set out above in this announcement have been agreed by the Auditor, PKF Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PKF Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PKF Hong Kong Limited on this announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below paragraphs set out an extract of the report by PKF Hong Kong Limited, the Auditor, regarding the consolidated financial statements of the Group for the year ended 31 December 2023:

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements as described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for disclaimer of opinion

Multiple uncertainties related to going concern

The Group reported a net loss of approximately RMB687 million during the year ended 31 December 2023. As at 31 December 2023, the Group's total deficit attributable to owners of the Company amounted to approximately RMB1,013 million and its current liabilities exceeded its current assets approximately RMB1,167 million. At the same date, the Group's total borrowings amounted to approximately RMB1,658 million are all classified as current liabilities, of which approximately RMB1,614 million were collateralised by the Group's property, plant and equipment, properties for sale and investment properties recorded at a total carrying amount of approximately RMB2,012 million. As at 31 December 2023, the Group had total unrestricted cash and cash equivalents of approximately RMB44 million.

As at 31 December 2023, 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 RMB996 million. Such non-repayments are collectively referred to as the "Defaulted Events". As a result, the entire outstanding principal and interest payables of the Defaulted Borrowings of approximately RMB2,610 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 RMB10 million are also repayable within one year or on demand.

The completion of the Group Reorganisation on 26 July 2023, included a series of equity transactions: (i) the Shares Consolidation, (ii) the Capital Reduction, (iii) issue of shares to new investors and (iv) transfer of equity interests in certain subsidiaries to a designated entity (the "**SchemeCo**") in exchange for the discharge of the Company's indebtedness and the Company and certain subsidiaries' obligations as security providers and guarantors in respect of several defaulted borrowings, as well as the dismissal of the winding up petition brought up by one of the lenders of the Defaulted Borrowing. Despite the Group Reorganisation has largely alleviated the imminent financial difficulties of the Group, remaining borrowings and interest payables of the Group, together with the Group's existing financial position as at year ended and operating results for the year ended 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 31 December 2023, the Group's amounts due to former subsidiaries of approximately RMB3,121,181,000 would fall due for immediate repayment if requested by the former subsidiaries and the SchemeCo.

These conditions, together with other matters as described in note 2 to the consolidated financial statements, indicate the existence of multiple material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

Management of the Company has been undertaking plans and measures to improve the Group's liquidity and financial position and to restructure the existing borrowings, which are set out in note 2 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these plans and measures, which are subject to multiple uncertainties, including: (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 borrowings; (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 in accordance with the timelines projected by management in the Cash Flow Projections; 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.

As a result of these multiple uncertainties, the potential interaction of these uncertainties and the possible cumulative effect thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate.

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 consolidated financial statements.

THE MANAGEMENT'S VIEW AND THE AUDIT COMMITTEE'S VIEW TOWARDS THE DISCLAIMER OF OPINION

The management of the Company concurs with the view of the Auditors. The Audit Committee also confirms and concurs with the view of the Auditors.

REMOVAL OF THE DISCLAIMER OF OPINION

As described in Note 2 to the consolidated financial statements, the management of the Company has been undertaking a number of plans and measures to improve the Group's liquidity and financial position and to restructure the existing borrowings. The above action plans and measures have been fully discussed with the Audit Committee and the Auditors. Contingent on the aforementioned plans and measures having a successful or favourable outcome, the Company expects that the Disclaimer of Opinion can be removed in the following year's audit of the Company (i.e. the audit for the financial year ending 31 December 2024). The Auditor's concern is on the status and development of (i) the Group's various defaulted borrowings; (ii) ongoing negotiations of the settlement plan of balances with Scheme Subsidiaries; and (iii) deficit attributable to the owners of the Company at the reporting date. When the Group is able to resolve each of these matters to a satisfactory level, the Auditors will consider the removal of the Disclaimer of opinion in the coming audits of the Company.

PUBLICATION OF THE AUDITED ANNUAL RESULTS AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

This announcement is published on the websites of the Company (www.jkgc.com.hk) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2023 will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

APPRECIATION

The Board would like to express its sincere appreciation to our stakeholders for their continued support to the Group. The Board would also wish to thank to our management and all the staff who have contributed their time, efforts and supports to the Group's business operations.

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

Hong Kong, 28 March 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.