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GR Life Style

国锐生活

GR LIFE STYLE COMPANY LIMITED

國銳生活有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 108)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the “Board”) of directors (the “Director(s)”) of GR Life Style Company Limited (formerly known as “GR Properties Limited”) (the “Company”) hereby presents the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2023, which have been reviewed by the audit committee of the Company, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
REVENUE	5	352,640	352,276
Other income and gains, net	6	65,100	48,458
Cost of inventories sold		(844)	(6,019)
Employee benefit expenses		(73,376)	(63,491)
Depreciation and amortisation		(2,539)	(3,207)
Utilities, repairs and maintenance and rental expenses		(108,140)	(116,437)
Other operating costs		(36,944)	(32,392)
Finance costs	7	(129,112)	(136,450)
Other expenses, net		(7,129)	(24,116)
Impairment of trade and lease receivables, net		(6,892)	(8,122)
Remeasurement gain upon transfer of certain properties held for sale to investment properties	12	193,412	51,175
Fair value loss of investment properties, net	12	(316,123)	(395,952)
LOSS BEFORE TAX	8	(69,947)	(334,277)

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
LOSS BEFORE TAX	8	(69,947)	(334,277)
Income tax credit/(expense)	9	<u>(59,360)</u>	<u>14,151</u>
LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		<u>(129,307)</u>	<u>(320,126)</u>
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	<i>11</i>		
Basic and diluted (<i>HK cent per share</i>)		<u>(4.04)</u>	<u>(10.01)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023 HK\$'000	2022 HK\$'000
LOSS FOR THE YEAR	(129,307)	(320,126)
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences:		
Exchange differences on translation of foreign operations	(21,598)	(295,192)
Reclassification adjustments for foreign operations disposed of during the year	—	373
	<u>(21,598)</u>	<u>(294,819)</u>
<i>Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:</i>		
Equity investment at fair value through other comprehensive income:		
Changes in fair value	(2,011)	—
	<u>(2,011)</u>	<u>—</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(23,609)	(294,819)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	<u>(152,916)</u>	<u>(614,945)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		1,529	2,091
Investment properties	<i>12</i>	5,323,355	4,935,257
Right-of-use assets		2,842	4,094
Computer software		961	679
Equity investment at fair value through other comprehensive income		18,117	–
Deferred tax assets		–	13,786
Total non-current assets		5,346,804	4,955,907
CURRENT ASSETS			
Properties held for sale		160,026	550,111
Inventories		914	860
Trade and lease receivables	<i>13</i>	170,033	133,098
Prepayments, deposits and other receivables		191,612	184,332
Financial asset at fair value through profit or loss		11,261	11,496
Other tax recoverables		41,724	50,748
Restricted cash	<i>14</i>	184,693	4,324
Cash and cash equivalents		305,556	349,182
Total current assets		1,065,819	1,284,151
CURRENT LIABILITIES			
Trade payables	<i>15</i>	67,263	88,759
Receipts in advance		75,828	72,807
Other payables and accruals		245,955	247,152
Bank and other borrowings		739,895	108,446
Income tax payables		39,489	28,975
Other tax payables		10,069	8,287
Total current liabilities		1,178,499	554,426
NET CURRENT ASSETS/(LIABILITIES)		(112,680)	729,725
TOTAL ASSETS LESS CURRENT LIABILITIES		5,234,124	5,685,632

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Bank and other borrowings	1,910,933	2,220,064
Liability component of perpetual convertible bonds	45,283	57,245
Deferred tax liabilities	175,616	159,694
	<hr/>	<hr/>
Total non-current liabilities	2,131,832	2,437,003
	<hr/>	<hr/>
Net assets	3,102,292	3,248,629
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to shareholders of the Company		
Share capital	3,152,571	3,152,571
Equity component of perpetual convertible bonds	1,172,244	1,172,244
Reserves	(1,222,523)	(1,076,186)
	<hr/>	<hr/>
Total equity	3,102,292	3,248,629
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NOTES:

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in Hong Kong and shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office and the principal place of business of the Company is located at Unit 3505, Tower One, Lippo Centre, No. 89 Queensway, Hong Kong.

During the year ended 31 December 2023, the Group was involved in the following principal activities:

- property development and investment in the United Kingdom (the “UK”), the United States of America (the “USA”) and the mainland (“Mainland China”) of the People’s Republic of China (the “PRC”); and
- provision of property management services in Mainland China.

As at 31 December 2023, the immediate holding company of the Company was Wintime Company Limited, which is incorporated in the British Virgin Islands with limited liability. In the opinion of the directors of the Company, the ultimate holding company of the Company is Widewealth Company Limited, which is incorporated in the British Virgin Islands with limited liability.

2. BASIS OF PREPARATION

This announcement has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on the Stock Exchange.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, equity investment at fair value through other comprehensive income and financial asset at fair value through profit or loss which have been measured at fair value. The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

The financial information relating to the years ended 31 December 2023 and 2022 included in this preliminary announcement of annual results for the year ended 31 December 2023 do not constitute the Company’s statutory annual consolidated financial statements for those years, but in respect of the year ended 31 December 2022, is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The consolidated financial statements for the year ended 31 December 2023 have yet to be reported on by the Company’s auditor and will be delivered to the Registrar of Companies in due course. The Company has delivered the consolidated financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s auditor has reported on the consolidated financial statements for the year ended 31 December 2022. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

Going concern

As at 31 December 2023, the Group had net current liabilities of HK\$113 million, which includes an interest-bearing bank borrowing of HK\$721 million classified as current liability due to a potential non-compliance of a financial covenant. According to the terms and conditions of the facility agreement of this bank borrowing, one of the financial covenants relates to the valuation of an investment property and the valuation is subject to regular reviews by the bank. Based on the fair value of the investment property as included in the consolidated financial statements, the Group may not comply with the aforesaid financial covenant, but the valuation is subject to further review by the bank. If eventually it is confirmed as a non-compliance of the financial covenant by the bank, the Company may have to take remedial action as agreed by the bank. Based on the management's understanding, the remedial action (if necessary) will likely be partial repayment of the bank loan. In an extreme circumstance in which the remedial action is not agreed by the bank, the bank may request for an immediate repayment of the entire bank loan.

This condition indicates the existence of a material uncertainty relating to going concern. In assessing the Group's ability to operate as a going concern, a cash flow projection has been prepared by the management, after giving careful consideration to the future liquidity requirements, operating performance of the Group and available sources of financing for a period of not less than twelve months from the end of the reporting period. The following plans and measures are formulated to mitigate the liquidity pressure arising from the possible actions by the bank:

- The Group will continue to communicate with the bank on the loan arrangement and agree with the bank on any possible remedial actions (if necessary) that the Group needs to take regarding the aforesaid matter;
- The Group has obtained a shareholder loan facility from Gang Rui International Investment (HK) Limited of HK\$200,000,000, of which HK\$110,871,000 remains unutilised by the Group as at 31 December 2023. Subsequent to the reporting period, in March 2024, the maturity date of the shareholder loan has been extended to 31 December 2027;
- In the case when partial repayment of bank loan is required by the bank as remedial action and the partial repayment amount is agreed based on the fair value of the investment property as included in the consolidated financial statements, the Group will arrange necessary funding for the repayment through (i) the existing cash and cash equivalents held by the Group outside the Mainland China; (ii) selling the listed equity investment held by the Group; and/or (iii) utilising the remaining facility under the aforesaid shareholder loan facility; and
- In an extreme circumstance in which the remedial action is not agreed by the bank and the bank demands for immediate repayment of the entire bank loan, the Group will dispose of the mortgaged investment property for the repayment. Based on the fair value of the investment property as included in the consolidated financial statements as at 31 December 2023, the fair value less cost of disposal is sufficient to repay the entire bank loan.

The directors of the Company have reviewed the Group's cash flow projection prepared by management, which cover a period of not less than twelve months from 31 December 2023. They are of the opinion that, after taking into account the aforementioned plans and measures, the Group will have sufficient working capital to finance its operation and to meet its financial obligations as and when they fall due. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The Group's ability to generate sufficient cash flows to continue as a going concern is subject to significant uncertainty and will depend on the expected repayment amount of the aforesaid bank loan. Should the bank not agree on the remedial action resulting in a significant increase in the repayment of the bank loan and the value of the mortgaged investment property is insufficient to repay the entire bank loan, the Group may be unable to continue as a going concern, in that case adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial 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 the consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated losses, as appropriate, on the same basis as would be required if the Group has directly disposed of the related assets or liabilities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements:

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The adoption of amendments to HKAS 12 did not have any material impact on the Group's financial statements.
- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the nature of their products and services and has two reportable operating segments as follows:

- (a) property development and investment segment engages in property development and investment in the UK, the USA and Mainland China; and
- (b) provision of property management segment engages in the provision of property management services for office buildings, residential properties and car parks in Mainland China.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that head office and corporate income and expenses are excluded from this measurement.

	Property development and investment		Property management		Total	
	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue (<i>note 5</i>)	<u>148,018</u>	<u>133,668</u>	<u>204,622</u>	<u>218,608</u>	<u>352,640</u>	<u>352,276</u>
Segment results	<u>(99,330)</u>	<u>(346,820)</u>	<u>31,105</u>	<u>42,671</u>	<u>(68,225)</u>	<u>(304,149)</u>
<i>Reconciliation:</i>						
Other unallocated income and gains					7,843	279
Corporate and other unallocated expenses					<u>(9,565)</u>	<u>(30,407)</u>
Loss before tax					<u>(69,947)</u>	<u>(334,277)</u>

	Property development and investment		Property management		Total	
	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information:						
Depreciation and amortisation						
– Operating segments	594	716	671	782	1,265	1,498
– Amount unallocated					1,274	1,709
					<u>2,539</u>	<u>3,207</u>
Remeasurement gain upon transfer of certain properties held for sale to investment properties	193,412	51,175	–	–	193,412	51,175
Fair value loss of investment properties, net	(316,123)	(395,952)	–	–	(316,123)	(395,952)
Impairment of trade and lease receivables, net	461	133	6,431	7,989	6,892	8,122
	<u>461</u>	<u>133</u>	<u>6,431</u>	<u>7,989</u>	<u>6,892</u>	<u>8,122</u>

Geographical information

Revenue from external customers

	2023 HK\$'000	2022 HK\$'000
Mainland China	273,013	274,821
The UK	52,850	52,716
The USA	26,777	24,739
	<u>352,640</u>	<u>352,276</u>

The revenue information above is based on the locations of the customers.

Information about major customers

During each of the years ended 31 December 2023 and 2022, there was no single external customer which contributed 10% or more of the Group's total revenue for each of these years.

5. REVENUE

An analysis of the Group's revenue is as follows:

	2023 HK\$'000	2022 HK\$'000
Revenue from contracts with customers	204,622	218,608
Revenue from another source		
– Gross rental income from investment property operating leases	148,018	133,668
	<u>352,640</u>	<u>352,276</u>

6. OTHER INCOME AND GAINS, NET

An analysis of the Group's other income and gains, net is as follows:

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<u>Other income</u>			
Bank interest income		4,956	428
Interest income from loan receivables		2,653	4,072
Compensation from a contractor	<i>(a)</i>	–	12,921
Government grants	<i>(b)</i>	6,485	5,411
Financial guarantee income		11,109	11,112
Interest income from a principal-protected investment deposit asset at fair value through profit or loss		18	242
Others		5,502	10,463
		30,723	44,649
<u>Other gains, net</u>			
Foreign exchange gain, net		5,453	–
Gain on disposal of a subsidiary		–	3,809
Gains on derecognition of financial liabilities at amortised costs		28,924	–
		34,377	3,809
		65,100	48,458

Notes:

- (a) The amount represented compensation received from a contractor upon termination of a construction contract for an investment property under construction in Culver City, the USA.
- (b) The amount mainly represented government subsidies, value-added tax refund and other tax refunds. There are no unfulfilled conditions or contingencies relating to these grants.

7. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on loans from bank and financial institutions	116,457	66,205
Interest on a loan from a shareholder of the Company	1,624	1,624
Interest on loans from director-controlled entities	2,017	727
Imputed interest on a loan from a director-controlled entity	922	1,061
Interest on a quasi-loan equity contributed by a joint venture partner of a subsidiary	–	13,423
Interest on loans from independent third parties	24,502	52,002
Interest on perpetual convertible bonds	2,227	1,500
Interest on lease liabilities	345	293
Total finance costs	148,094	136,835
Less: Amount capitalised in investment property under construction	(18,982)	(385)
	129,112	136,450

8. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	880	937
Depreciation of right-of-use assets	1,530	1,944
Amortisation of computer software	129	326
Write-off of property, plant and equipment	193	3
Loss on remeasurement of financial guarantee contracts	338	9,306
Foreign exchange differences, net	(5,453)	13,559
	<u>(5,453)</u>	<u>13,559</u>

9. INCOME TAX EXPENSE/(CREDIT)

An analysis of the Group's income tax charge/(credit) is as follows:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current – Mainland China	8,195	12,413
Current – UK	10,112	7,160
Deferred	41,053	(33,724)
	<u>41,053</u>	<u>(33,724)</u>
Total tax charge/(credit) for the year	<u>59,360</u>	<u>(14,151)</u>

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2022: Nil).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in countries/ jurisdictions in which the Group operates, based on the prevailing legislation, interpretations and practices in respect thereof.

10. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

11. LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to shareholders of the Company and the weighted average number of ordinary shares in issue during the year.

In respect of the years ended 31 December 2023 and 2022, no adjustment has been made to the basic loss per share amounts presented in respect of a dilution as the impact of the perpetual convertible bonds and share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of the basic and diluted loss per share amounts are based on the following data:

Loss

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss for the year attributable to shareholders of the Company, used in the basic and diluted loss per share calculation	<u>(129,307)</u>	<u>(320,126)</u>
	Number of ordinary shares	
	2023	2022
Weighted average number of ordinary shares in issue during the year, used in the basic and diluted loss per share calculation	<u>3,199,373,986</u>	<u>3,199,373,986</u>

12. INVESTMENT PROPERTIES

	Completed <i>HK\$'000</i>	Under construction <i>HK\$'000</i>	Total <i>HK\$'000</i>
Carrying amount as at 1 January 2022	5,166,586	300,917	5,467,503
Additions	–	123,428	123,428
Net loss from fair value adjustments	(388,425)	(7,527)	(395,952)
Transfer from properties held for sale (<i>note</i>)	145,015	–	145,015
Exchange realignment	<u>(404,383)</u>	<u>(354)</u>	<u>(404,737)</u>
Carrying amount as at 31 December 2022 and 1 January 2023	4,518,793	416,464	4,935,257
Additions	–	133,174	133,174
Net loss from fair value adjustments	(265,937)	(50,186)	(316,123)
Transfer from properties held for sale (<i>note</i>)	571,426	–	571,426
Exchange realignment	<u>(644)</u>	<u>265</u>	<u>(379)</u>
Carrying amount as at 31 December 2023	<u>4,823,638</u>	<u>499,717</u>	<u>5,323,355</u>

Note: During the year, the use of certain units in the properties held for sale has been changed upon the inception of operating leases with external third parties. As a result, the leased portion of the properties held for sale was transferred to completed investment properties and a remeasurement gain of HK\$193,412,000 (2022: HK\$51,175,000) was recognised in profit or loss during the year.

13. TRADE AND LEASE RECEIVABLES

An ageing analysis of the trade and lease receivables, based on the due date and net of impairment, is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current	89,592	76,907
Past due:		
Less than 1 year	47,612	47,000
1 year to 2 years	32,138	8,538
2 years to 3 years	691	653
	170,033	133,098

14. RESTRICTED CASH

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Restricted cash for a bank loan	<i>(a)</i>	8,496	4,324
Restricted cash for a loan from a financial institution	<i>(b)</i>	176,197	–
		184,693	4,324

Notes:

- (a) The restricted cash represents a deposit placed in a designated bank as part of the security given to secure a general banking facility granted to the Group.
- (b) The restricted cash represents cash drawn under a construction loan which can only be used to pay relevant costs of the investment property under construction in the USA.

15. TRADE PAYABLES

An ageing analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 3 months	29,808	66,476
4 to 6 months	10,639	8,788
7 to 12 months	22,657	8,858
Over 1 year	4,159	4,637
	67,263	88,759

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2023 (the “Year”), the operations of the Group were organised into business units based on the nature of their products and services. There were two reportable operating segments, including (i) the property management segment; and (ii) the property development and investment segment. The first segment was carried out in the People’s Republic of China (the “PRC”) whereas the second segment was carried out in the PRC, the United States of America (the “USA”) and the United Kingdom (the “UK”).

Property management segment

Beijing AOCEAN Property Management Company Limited* (北京澳西物業管理有限公司), (“AOCEAN”), a wholly-owned subsidiary of the Company, provides property management services for office buildings, residential properties and car parks. As at 31 December 2023, AOCEAN managed 17 major residential and commercial property projects, which were located in the PRC. The services provided by AOCEAN under the management agreements include, *inter alia* (i) provision of heating supply and maintenance services of heat exchange stations and pipeline network; (ii) provision of management services to car parks such as maintenance of various facilities and equipment in the car parks; and (iii) provision of property management services to vacant properties and general management services such as repair and maintenance of buildings and fire safety equipment and facilities for residential and commercial property projects.

Adhering to the principle of being human-oriented, and perceiving the market from the perspective of customers and market needs, AOCEAN has been improving and perfecting its management system and continues to provide professional services to its customers.

Property development and investment segment

During the Year, the Group carried on its property development and investment business in the USA, the UK and the PRC.

- ***Santa Monica project***

The Santa Monica project, located in Santa Monica, the County of Los Angeles, State of California, the USA, has a total site area of approximately 40,615 square feet (the “US Complex”). According to the land title, the development for the site is a mixed-use three stories development. Total rentable/saleable floor area is approximately 25,000 square feet for commercial use and 38,000 square feet for residential use and there are 190 on-site subterranean parking spaces. Approximately average of 91% of the commercial area and average of 92% of the residential area have been leased out, respectively, during the Year. The plan for the Santa Monica project is to lease out all the commercial units and the residential units.

- ***Culver City project***

Culver City project is a 36,319 square feet redevelopment site located at the south corner of Washington Boulevard and Motor Avenue in Culver City, Los Angeles County, California, the USA. The land title allows for the development of 139 residential units, of which 14 units would be income restricted for residents at the extremely low income level, and 1,969 square feet of ground floor would be commercial space. Its construction has started since September 2021.

The Directors consider the Culver City project to be an attractive investment opportunity to diversify the Group's property development operations in the USA, as this land is located within walking distance to the heart of Culver City, Los Angeles, which is the hub of a number of motion pictures and other production studios and is within well – established transportation network. Culver City project is expected to further cement the Group's foothold in the western USA and enhance the Group's overall geographical diversification of business.

- ***Juxon House***

Juxon House is located at 100 St Paul's Churchyard, London, the UK. It is situated in a prominent location on the northwest side of St Paul's Cathedral, with St Paul's Churchyard at its south, Ave Maria Lane at its west and Paternoster Square to the east, which is a prime professional and financial district with the London Stock Exchange and some multinational organisations having offices in the near vicinity. Juxon House is a grade A commercial building with a net lettable floor area of approximately 123,781 square feet, among which the office accommodation, the retail accommodation, and the ancillary and storage area have a net lettable floor area of 100,774 square feet, 20,083 square feet and 2,924 square feet respectively. Juxon House comprises a lower ground floor, a ground floor and five upper floors, basement storage and 20 car park spaces. Juxon House was let to three office tenants and four retail tenants, which contributed approximately £5.4 million rental income to the Group for the Year.

- ***Guorui Square Block B***

The Group holds all units with a gross floor area of approximately 68,685 square meters in Building No. 2 of Kingdom Guorui (國銳 • 金嶺), No.1 Ronghua South Road, Daxing District, Beijing, the PRC ("Guorui Square Block B"), which are for office use.

The Company planned to sell or lease certain units of Guorui Square Block B, subject to market conditions in Yizhuang (亦莊), Beijing, the PRC. Currently, certain units were leased out to tenants under medium or long term leases.

FINANCIAL REVIEW

	Year ended 31 December 2023 <i>HK\$'000</i>	Year ended 31 December 2022 <i>HK\$'000</i>
Turnover	<u><u>352,640</u></u>	<u><u>352,276</u></u>
Loss for the year	<u><u>(129,307)</u></u>	<u><u>(320,126)</u></u>
	As at 31 December 2023 <i>HK\$'000</i>	As at 31 December 2022 <i>HK\$'000</i>
Total assets	<u><u>6,412,623</u></u>	<u><u>6,240,058</u></u>
Total liabilities	<u><u>3,310,331</u></u>	<u><u>2,991,429</u></u>
Net assets	<u><u>3,102,292</u></u>	<u><u>3,248,629</u></u>
Net debts [^]	<u><u>2,658,490</u></u>	<u><u>2,315,239</u></u>
Capital liquidity ratio ^{**}	<u><u>0.26</u></u>	<u><u>0.63</u></u>
Gearing ratio [#]	<u><u>85.7%</u></u>	<u><u>71.3%</u></u>

[^] The amount represented trade payables, bank and other borrowings, and other payables and accruals, less cash and cash equivalents

^{**} The ratio represented cash and cash equivalents divided by current liabilities

[#] The ratio represented net debts divided by total equity

Financial analysis

During the Year, the Group generated revenue of approximately HK\$352,640,000 (31 December 2022: approximately HK\$352,276,000). The property management segment reported segment revenue of approximately HK\$204,622,000 (31 December 2022: approximately HK\$218,608,000). The property development and investment segment reported segment revenue of approximately HK\$148,018,000 (31 December 2022: approximately HK\$133,668,000), contributed by the rental income from the operating leases of certain portion of units in the US Complex, Juxon House and Guorui Square Block B. The Group recorded a loss for the Year of approximately HK\$129,307,000 (31 December 2022: approximately HK\$320,126,000). The decrease in loss is mainly attributable to the combined effect of (i) the increase of remeasurement gain upon transfer of certain properties held for sale to investment properties of approximately HK\$142,237,000; (ii) the decrease of other expenses, net of approximately HK\$16,987,000; (iii) the decrease of utilities, repairs and maintenance and rental expenses of approximately HK\$8,297,000; and (iv) the increase of other income and gains, net of approximately HK\$16,642,000 during the Year.

As at 31 December 2023, the outstanding balance of bank and other borrowings was approximately HK\$2,650,828,000 (31 December 2022: approximately HK\$2,328,510,000), of which the balance mainly consisted of (i) two bank loans of approximately HK\$1,572,637,000 (31 December 2022: approximately HK\$1,573,973,000) secured by Juxon House, certain portion of Guorui Square Block B and lease receivables; (ii) other loans of approximately HK\$1,075,105,000 (31 December 2022: approximately HK\$750,214,000) secured by the US Complex and its lease receivables and rights to future lease receivables over the Culver City project; and (iii) lease liabilities balances of approximately HK\$3,086,000 (31 December 2022: approximately HK\$4,323,000).

As at 31 December 2023, the Group had available cash and bank balances of approximately HK\$305,556,000 (31 December 2022: approximately HK\$349,182,000).

Foreign currency exposure

During the Year, the Group's business operations were principally located in the PRC, the UK and the USA and the main operational currencies are Hong Kong dollars ("HK\$"), Renminbi ("RMB"), Pound sterling ("£") and United States dollars ("US\$"). The Group's transactions were mainly denominated in RMB, £ and US\$. The majority of its assets and liabilities are denominated in HK\$, RMB, £ and US\$. Any significant exchange rate fluctuations of foreign currencies against HK\$ may have financial impact to the Group. The Group does not have a foreign currency hedging policy at present. However, the Group will closely monitor the exchange rate movement trend and take corresponding measures in a timely manner to reduce foreign currency exchange risk and exposure.

Human resources and remuneration policy

As at 31 December 2023, the total number of employees of the Group (excluding Directors) was 315 (31 December 2022: 300). Most of them were located in the PRC.

The total remuneration of the employees of the Group for the Year was approximately HK\$73,376,000 (31 December 2022: approximately HK\$63,491,000).

The emolument of each of the Directors and the employees of the Group is determined on the basis of their merit, qualification, competence and experience in the industry, the profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Executive Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance.

Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained an appropriate liquidity position throughout the Year. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial condition of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements from time to time.

Final dividend

The Board resolved not to declare any final dividend for the Year (31 December 2022: Nil).

Pledge of assets

As at 31 December 2023, the Group had investment properties and properties held for sale amounting to approximately HK\$5,483,381,000 in total (31 December 2022: approximately HK\$5,485,368,000) to secure bank and other borrowings and financial guarantee contracts. Such bank and other borrowings comprise of loans presented in the section headed "Financial analysis" of this announcement.

As at 31 December 2023, certain trade and lease receivables of approximately HK\$49,216,000 (31 December 2022: approximately HK\$42,134,000) in total were pledged to secure bank and other loans granted to the Group.

To secure a bank loan and a loan from a financial institution granted to the Group, bank deposits amounting to approximately HK\$184,693,000 (31 December 2022: approximately HK\$4,324,000) has been classified as restricted cash and a principal-protected deposit amounting to approximately HK\$11,261,000 (31 December 2022: approximately HK\$11,496,000) has been maintained.

Capital and other development related commitment and contingent liabilities

As at 31 December 2023, the Group had no material contingent liabilities (31 December 2022: Nil). As at 31 December 2023, the Group had contracted but not provided for commitments for construction in progress for an investment property amounting to approximately HK\$70,301,000 (31 December 2022: approximately HK\$169,279,000).

Significant investments and material acquisitions and disposals of subsidiaries, associates and joint ventures

The Group had not made any significant investments, or material acquisitions or disposals of subsidiaries, associates and joint ventures during the Year.

Share Option Scheme

30,000,000 share options were granted to an employee on 28 April 2023 under the Company's share option scheme, which will be vested after 1 year on 28 April 2024 and can be exercised within 3 years by 27 April 2026. The exercise price of the share options is HK\$0.922 per share. Further details are set out in the Company's announcement dated 28 April 2023.

FUTURE PROSPECT

Twenty-two years of steady development leads to infinite possibilities in the future. During the pandemic period, the Group worked relentlessly to maintain effective operations and provide quality services, succeeding in minimising impact on tenants, customers and staffs. As the gloom from the COVID-19 pandemic gradually faded in the second quarter of 2023, the Group will continue to focus on property development and investment, as well as relevant asset management services, to create value for the shareholders. As in the past, when considering investments in the international markets such as the USA and Europe, the Group will continue to follow the development blueprint and maintain a prudent attitude in capturing investment opportunities so as to provide a reasonable return to the shareholders. In the past few years, other than capturing investment opportunities to establish the position and engage in the property market in Los Angeles and London for income generating real estates with potential for capital appreciation in the long term and re-development in the future, the Group's focus also continued to be on the execution of existing projects, achieving goals including but not limited to enhancement of operating performance as well as facilitation of project development. Besides, the Group will not rule out any possibilities to divest its investment with decent return. The Directors believe that after the acquisitions in the past few years and through execution of existing projects, the Group will be able to broaden its income base through the stable rental incomes generated from the properties.

Apart from the Group's property investments in the PRC, the USA and the UK, the Group will increase its investment in property management services as well as focus on other opportunities in the health, green energy and elderly care industries in the future, and will continue to focus on searching for suitable investment opportunities which may strategically fit into its diversification strategy and achieve the integrated development of "Habitat, Health and Life".

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") as stated in Appendix C1 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the Year except for the following deviations:

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

During the Year, Mr. Wei Chunxian acted as the chairman and the chief executive officer of the Company. Given all major decisions are reserved to the Board, the Company considers that there is an adequate balance of power and authority in place between the Board and the management of the Company.

According to code provision C.1.6 of the CG Code, independent non-executive Directors and other non-executive Directors should attend the annual general meeting and develop a balanced understanding of the views of shareholders. The independent non-executive directors of the Company, Ms. To Tsz Wan Vivien and Mr. Leung Louis Ho Ming attended the annual general meeting of the Company in 2023 whereas Mr. Tung Woon Cheung Eric, the independent non-executive director of the Company, was unable to attend the annual general meeting due to other business commitments.

COMPLIANCE WITH CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry to all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code throughout the Year.

AUDIT COMMITTEE

The audit committee has reviewed the annual results and has no dissenting view on the accounting policies of the companies adopted by the Group and on the Group's internal controls and risk management, accounting and financial reporting functions.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this announcement, based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company maintained sufficient public float as required under the Listing Rules throughout the Year.

EVENT AFTER THE REPORTING PERIOD

The Group does not have any material subsequent event after the Year and up to the date of this announcement.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Company's auditor to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Company's auditors on the preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the Independent Auditor's Report from the auditor of the Company, Ernst & Young on the Group's draft consolidated financial statements:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Material Uncertainty related to Going Concern

We draw attention to note 2.1 to the consolidated financial statements which indicates that as at 31 December 2023, the Group had net current liabilities of HK\$113 million, which includes an interest-bearing bank borrowing of HK\$721 million classified as current liability due to a potential non-compliance of a financial covenant. This condition, along with other matters as set forth in note 2.1, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PUBLICATION OF RESULTS ON WEBSITES

A copy of this announcement is posted on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.grlifestyles.com.hk).

By Order of the Board
GR Life Style Company Limited
Wei Chunxian
Chairman

Hong Kong, 28 March 2024

As at the date of this announcement, the executive Directors are Mr. Wei Chunxian, Mr. Sun Zhongmin and Ms. Li Bing; and the independent non-executive Directors are Mr. Tung Woon Cheung Eric, Ms. To Tsz Wan Vivien and Mr. Leung Louis Ho Ming.

* *for identification purposes only*