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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

The board (the “**Board**”) of directors (the “**Directors**”) of GR Life Style Company Limited (the “**Company**”) hereby presents the unaudited interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2024, together with comparative figures for the corresponding period in 2023. The audit committee of the Company (the “**Audit Committee**”) has reviewed and discussed with the management of the Company the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2024 (the “**Period**”).

FINANCIAL HIGHLIGHTS

- The Group’s revenue for the Period was approximately HK\$178.2 million, representing an increase of approximately 5.1% from approximately HK\$169.5 million for the corresponding period in 2023.
- Profit before tax for the Period was approximately HK\$0.7 million, representing a decrease of approximately HK\$45.9 million from profit before tax of approximately HK\$46.6 million for the corresponding period in 2023.
- Profit for the Period attributable to shareholders of the Company was approximately HK\$0.3 million, as compared to the profit attributable to shareholders of the Company of approximately HK\$39.3 million for the corresponding period in 2023.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS*For the six months ended 30 June 2024*

		(Unaudited) Six months ended 30 June 2024 <i>HK\$'000</i>	(Unaudited) 30 June 2023 <i>HK\$'000</i>
	<i>Notes</i>		
REVENUE	<i>4</i>	178,214	169,507
Other income and gains, net	<i>5</i>	19,384	20,855
Cost of inventories sold		(401)	(391)
Employee benefit expenses		(49,656)	(39,198)
Depreciation and amortisation		(1,314)	(1,282)
Utilities, repairs and maintenance and rental expenses		(57,572)	(57,591)
Other operating costs		(16,379)	(13,175)
Finance costs	<i>6</i>	(68,132)	(62,584)
Other expenses, net		(501)	(11)
Impairment of trade and lease receivables, net		(2,943)	(2,872)
Remeasurement gain upon transfer of certain properties held for sale to investment properties	<i>10(c)</i>	–	61,714
Fair value loss of investment properties		–	(28,366)
PROFIT BEFORE TAX	<i>7</i>	700	46,606
Income tax expense	<i>8</i>	(418)	(7,331)
PROFIT FOR THE PERIOD			
ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		282	39,275
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	<i>9</i>		
Basic (<i>HK cent per share</i>)		0.01	1.23
Diluted (<i>HK cent per share</i>)		0.01	0.86

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 June 2024*

	(Unaudited) Six months ended 30 June 2024 HK\$'000	(Unaudited) 30 June 2023 HK\$'000
PROFIT FOR THE PERIOD	282	39,275
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>		
– Exchange differences:		
Exchange differences on translation of foreign operations	(62,809)	(68,619)
<i>Other comprehensive income 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	628	–
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(62,181)	(68,619)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	(61,899)	(29,344)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

		(Unaudited) 30 June 2024 HK\$'000	(Audited) 31 December 2023 HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		1,168	1,529
Investment properties	10	5,304,620	5,323,355
Right-of-use assets		1,991	2,842
Computer software		1,007	961
Equity investment at fair value through other comprehensive income		18,744	18,117
Total non-current assets		5,327,530	5,346,804
CURRENT ASSETS			
Properties held for sale		156,056	160,026
Inventories		1,131	914
Trade and lease receivables	11	179,783	170,033
Prepayments, deposits and other receivables		271,964	191,612
Financial asset at fair value through profit or loss		–	11,261
Other tax recoverables		47,822	41,724
Restricted cash		146,512	184,693
Cash and cash equivalents		243,127	305,556
Total current assets		1,046,395	1,065,819
CURRENT LIABILITIES			
Trade payables	12	55,965	67,263
Receipts in advance		53,620	75,828
Other payables and accruals		314,482	245,955
Bank and other borrowings		752,657	739,895
Income tax payables		39,917	39,489
Other tax payables		11,656	10,069
Total current liabilities		1,228,297	1,178,499
NET CURRENT LIABILITIES		(181,902)	(112,680)
TOTAL ASSETS LESS CURRENT LIABILITIES		5,145,628	5,234,124

		(Unaudited) 30 June 2024 HK\$'000	(Audited) 31 December 2023 HK\$'000
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Bank and other borrowings		1,888,388	1,910,933
Liability component of perpetual convertible bonds	13	46,535	45,283
Deferred tax liabilities		167,182	175,616
		<hr/>	<hr/>
Total non-current liabilities		2,102,105	2,131,832
		<hr/>	<hr/>
Net assets		3,043,523	3,102,292
		<hr/>	<hr/>
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	14	3,152,571	3,152,571
Equity component of perpetual convertible bonds	13	1,172,244	1,172,244
Reserves		(1,281,292)	(1,222,523)
		<hr/>	<hr/>
Total equity		3,043,523	3,102,292
		<hr/>	<hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

1. CORPORATE AND GROUP INFORMATION

GR Life Style Company Limited (“**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 six months ended 30 June 2024 (the “**Period**”), the Company and its subsidiaries (collectively referred to as the “**Group**”) were 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 (“**Chinese Mainland**”) of the People’s Republic of China (the “**PRC**”); and
- provision of property management and other services in Chinese Mainland.

As at 30 June 2024, 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.

2.1. BASIS OF PREPARATION

This unaudited interim condensed consolidated financial information for the six months ended 30 June 2024 set out in this announcement has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of Appendix D2 to The Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). It does not include all the information and disclosures in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2023.

The accounting policies adopted in the preparation of this unaudited interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023, except for the changes in accounting policies made thereafter in adopting the revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA, as detailed in note 2.2 below.

The financial information relating to the year ended 31 December 2023 that is included in this unaudited interim condensed consolidated statement of financial position as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to those statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2023 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company’s auditor has reported on the consolidated financial statements for the year ended 31 December 2023. The auditor’s report was unqualified; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance except for including a reference to the matter of material uncertainty relating to going concern which the auditor drew attention by way of emphasis without qualifying its report.

Going Concern

As at 30 June 2024, the Group had net current liabilities of HK\$182 million, which includes an interest-bearing bank borrowing of HK\$708 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 unaudited interim condensed consolidated financial information, 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.

In the opinion of directors of the Company, the Group's ability to generate sufficient cash flows to continue as a going concern 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 unaudited interim condensed consolidated financial information.

This interim condensed consolidated financial information has not been audited, but has been reviewed by the Company's audit committee.

2.2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised HKFRSs for the first time for the current period's financial information.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the “ 2020 Amendments ”)
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> (the “ 2022 Amendments ”)
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

These amendments have had no material effect on how the Group's results and financial position for the current or prior periods presented in this unaudited interim condensed consolidated financial information. The Group has not applied any other new standard or interpretation that has been issued but is not yet effective for the current accounting period.

3. 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 during the Period as follows:

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

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.

Segment assets and segment liabilities exclude unallocated head office and corporate assets and liabilities as these assets and liabilities are managed on a group basis.

	Property development and investment		Property management		Total	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Six months	Six months	Six months	Six months	Six months	Six months
	ended 30 June	ended 30 June	ended 30 June	ended 30 June	ended 30 June	ended 30 June
	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	<u>84,146</u>	<u>65,686</u>	<u>94,068</u>	<u>103,821</u>	<u>178,214</u>	<u>169,507</u>
Segment results	<u>9,585</u>	<u>34,018</u>	<u>6,426</u>	<u>14,200</u>	<u>16,011</u>	<u>48,218</u>
<i>Reconciliation:</i>						
Other unallocated income and gains					5,385	7,024
Corporate and other unallocated expenses					<u>(20,696)</u>	<u>(8,636)</u>
Profit before tax					<u>700</u>	<u>46,606</u>

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2024 and 31 December 2023.

	Property development and investment		Property management		Total	
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	As at	As at	As at	As at	As at	As at
	30 June	31 December	30 June	31 December	30 June	31 December
	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	5,910,447	6,034,028	317,918	214,894	6,228,365	6,248,922
<i>Reconciliation:</i>						
Corporate and other unallocated assets						
– Property, plant and equipment					207	320
– Right-of-use assets					717	1,362
– Equity investment at fair value through other comprehensive income					18,744	18,117
– Prepayments, deposits and other receivables					55,365	25,389
– Cash and cash equivalents					70,527	118,513
Total assets					6,373,925	6,412,623
Segment liabilities	426,767	413,600	2,754,037	2,756,435	3,180,804	3,170,035
<i>Reconciliation:</i>						
Corporate and other unallocated liabilities						
– Other payables and accruals					11,917	4,480
– Due to shareholders and lease liabilities included in bank and other borrowings					91,146	90,534
– Liability component of perpetual convertible bonds					46,535	45,282
Total liabilities					3,330,402	3,310,331

4. REVENUE

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

	(Unaudited) Six months ended 30 June 2024 HK\$'000	(Unaudited) 30 June 2023 HK\$'000
Revenue from contracts with customers	94,068	103,821
Revenue from another source		
– Gross rental income from investment property operating leases	84,146	65,686
	<u>178,214</u>	<u>169,507</u>

Notes:

Disaggregated revenue information

Six months ended 30 June 2024 (Unaudited)

Segments	Property development and investment HK\$'000	Property management HK\$'000	Total HK\$'000
Type of goods or services			
Rendering of property management and other services	–	93,542	93,542
Revenue from restaurant operation	–	526	526
	<u>–</u>	<u>93,542</u>	<u>93,542</u>
Total revenue from contracts with customers	–	94,068	94,068
Revenue from another source			
– Gross rental income from investment property operating leases	84,146	–	84,146
	<u>84,146</u>	<u>–</u>	<u>84,146</u>
Total	<u>84,146</u>	<u>94,068</u>	<u>178,214</u>
Timing of revenue recognition			
Services transferred over time	–	93,542	93,542
Services transferred at a point in time	–	526	526
	<u>–</u>	<u>93,542</u>	<u>93,542</u>
Total revenue from contracts with customers	–	94,068	94,068
Revenue from another source			
– Gross rental income from investment property operating leases	84,146	–	84,146
	<u>84,146</u>	<u>–</u>	<u>84,146</u>
Total	<u>84,146</u>	<u>94,068</u>	<u>178,214</u>

Geographical market

All revenue from contracts with customers were generated in Chinese Mainland.

Six months ended 30 June 2023 (Unaudited)

Segments	Property development and investment <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Type of goods or services			
Rendering of property management and other services	–	103,159	103,159
Revenue from restaurant operation	–	662	662
Total revenue from contracts with customers	–	103,821	103,821
Revenue from another source			
– Gross rental income from investment property operating leases	65,686	–	65,686
Total	65,686	103,821	169,507
Timing of revenue recognition			
Services transferred over time	–	103,159	103,159
Services transferred at a point in time	–	662	662
Total revenue from contracts with customers	–	103,821	103,821
Revenue from another source			
– Gross rental income from investment property operating leases	65,686	–	65,686
Total	65,686	103,821	169,507

Geographical market

All revenue from contracts with customers were generated in Chinese Mainland.

5. OTHER INCOME AND GAINS, NET

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

	(Unaudited) Six months ended 30 June 2024 HK\$'000	(Unaudited) 30 June 2023 HK\$'000
Other income		
Bank interest income	5,525	1,388
Interest income of loan receivables	2,015	1,452
Penalty income	89	844
Financial guarantee income	5,239	5,588
Others	6,516	5,608
	<u>19,384</u>	<u>14,880</u>
Other gains, net		
Foreign exchange gain, net	–	5,975
	<u>19,384</u>	<u>20,855</u>

6. FINANCE COSTS

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

	(Unaudited) Six months ended 30 June 2024 HK\$'000	(Unaudited) 30 June 2023 HK\$'000
<i>Note</i>		
Interest on loans from banks and financial institutions	66,158	49,932
Interest on a loan from a shareholder of the Company	809	806
Interest on loans from director-controlled entities	986	1,018
Imputed interest on a loan from a director-controlled entity	405	513
Interest on loans from independent third parties	13,711	12,782
Interest on perpetual convertible bonds	1,252	738
Interest on lease liabilities	141	178
	<u>83,462</u>	<u>65,967</u>
Total finance costs	83,462	65,967
Less: Amount capitalised in investment property under construction	(15,330)	(3,383)
	<u>68,132</u>	<u>62,584</u>

7. PROFIT BEFORE TAX

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

	(Unaudited) Six months ended 30 June 2024 HK\$'000	(Unaudited) 30 June 2023 HK\$'000
Depreciation of property, plant and equipment	383	495
Depreciation of right-of-use assets	847	736
Amortisation of computer software	84	51
Foreign exchange differences, net	501	(5,975)

8. INCOME TAX EXPENSE

An analysis of the Group's income tax charge is as follows:

	(Unaudited) Six months ended 30 June 2024 HK\$'000	(Unaudited) 30 June 2023 HK\$'000
Current – Chinese Mainland	418	694
Current – UK	–	311
Deferred	–	6,326
Total tax charge for the period	418	7,331

Note:

No provision for Hong Kong profits tax has been made for the Period as the Group did not generate any assessable profits arising in Hong Kong during the Period (six months ended 30 June 2023: 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.

9. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the Period attributable to shareholders of the Company of HK\$282,000 and the weighted average number of ordinary shares of 3,199,373,986 in issue during the Period.

In respect of the Period, no adjustment has been made to the basic earnings per share amount presented in respect of a dilution as the impact of perpetual convertible bonds and share options outstanding had no diluting effect on the earnings per share amount presented.

In respect of the period ended 30 June 2023, the calculation of the diluted earnings per share amounts is based on the profit for the Period attributable to shareholders of the Company, adjusted to reflect the deemed conversion of all dilutive perpetual convertible bonds at the beginning of that period, and the weighted average number of ordinary shares used in the calculation is the total of (i) the weighted average number of ordinary shares in issue during that period, as used in the basic earnings per share calculation; (ii) the weighted average number of ordinary shares assumed to have been issued on the deemed conversion of all dilutive perpetual convertible bonds into ordinary shares of the Company; and (iii) the weighted average number of ordinary shares with effect of dilution of share options.

The calculations of the basic and diluted earnings per share attributable to shareholders of the Company are based on the following data:

	(Unaudited) Six months ended 30 June 2023 HK\$'000
Earnings	
Profit for the period attributable to shareholders of the Company, used in the basic earnings per share calculation	39,275
Interest on perpetual convertible bonds	738
	<hr/>
Profit for the period attributable to shareholders of the Company, used in the diluted earnings per share calculation	40,013
	<hr/>
	Number of shares Six months ended 30 June 2023
Shares	
Weighted average number of ordinary shares in issue during the Period used in the basic earnings per share calculation	3,199,373,986
Effect of dilution – weighted average number of ordinary shares:	
– perpetual convertible bonds	1,460,074,000
– share options	719,350
	<hr/>
Weighted average number of ordinary shares in issue during the Period used in the diluted earnings per share calculation	4,660,167,336
	<hr/>

10. INVESTMENT PROPERTIES

	Completed HK\$'000	Under construction HK\$'000	Total HK\$'000
Carrying amount as at 1 January 2024	4,823,638	499,717	5,323,355
Additions	–	70,391	70,391
Exchange realignment	(88,977)	(149)	(89,126)
	<u>4,734,661</u>	<u>569,959</u>	<u>5,304,620</u>
Carrying amount as at 30 June 2024 (unaudited)	<u>4,734,661</u>	<u>569,959</u>	<u>5,304,620</u>

Notes:

- (a) The Group's completed investment properties as at 30 June 2024 and 31 December 2023 represented a commercial building located in London, the UK; a commercial and residential complex located in Santa Monica, the County of Los Angeles, State of California, the USA (the "US Complex"); and a commercial building located in Beijing, the PRC, which are leased to third parties under operating leases.
- (b) The Group's investment property under construction as at 30 June 2024 and 31 December 2023 represented a parcel of land located in Culver City, the USA.
- (c) During the six months period ended 30 June 2023, 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\$61,714,000 was recognised in profit or loss during the six months ended 30 June 2023.
- (d) At 30 June 2024 and 31 December 2023, the Group's investment properties were all pledged to secure financial guarantee contracts, banking facilities granted to the Group and loans from financial institutions.

11. TRADE AND LEASE RECEIVABLES

	(Unaudited) 30 June 2024 HK\$'000	(Audited) 31 December 2023 HK\$'000
Trade receivables	163,367	154,162
Lease receivables	55,477	51,261
Total gross trade and lease receivables	218,844	205,423
Less: Impairment	(39,061)	(35,390)
	179,783	170,033

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

	(Unaudited) 30 June 2024 HK\$'000	(Audited) 31 December 2023 HK\$'000
Current	86,067	89,592
Past due:		
Less than 1 year	40,142	47,612
1 year to 2 years	37,216	32,138
2 years to 3 years	16,358	691
	179,783	170,033

12. TRADE PAYABLES

Trade payables are non-interest bearing and the average credit period is 60 days.

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:

	(Unaudited) 30 June 2024 HK\$'000	(Audited) 31 December 2023 HK\$'000
Within 3 months	25,769	29,807
4 to 6 months	5,097	10,639
7 to 12 months	8,074	22,658
Over 1 year	17,025	4,159
	55,965	67,263

13. PERPETUAL CONVERTIBLE BONDS

The Company had two batches of perpetual convertible bonds outstanding as at 30 June 2024 and 31 December 2023, the summary information of which is set out as follows:

	Batch one <i>(note (a))</i>	Batch two <i>(note (b))</i>
Issuance date	17 August 2018	31 December 2021
Maturity date	No maturity date	No maturity date
Original principal amount	HK\$1,102,993,200	HK\$77,066,000
Coupon rate	1% per annum and will cease to bear any coupon after the fifth anniversary of the date of issue	1% per annum and will cease to bear any coupon after the fifth anniversary of the date of issue
Conversion price per ordinary share of the Company (HK\$)	0.80	0.80

These perpetual convertible bonds were bifurcated into a liability component and an equity component for accounting purposes. The following tables summarise the movements in the principal amounts, the number of conversion rights outstanding, the liability and equity components of the Company's perpetual convertible bonds during the six months ended 30 June 2024:

Principal amount outstanding

	Batch one <i>HK\$'000</i> <i>(note (a))</i>	Batch two <i>HK\$'000</i> <i>(note (b))</i>	Total <i>HK\$'000</i>
At 1 January 2024 and 30 June 2024 (unaudited)	<u>1,090,993</u>	<u>77,066</u>	<u>1,168,059</u>

Number of conversion rights outstanding

	Batch one <i>(note (a))</i>	Batch two <i>(note (b))</i>	Total
At 1 January 2024 and 30 June 2024 (unaudited)	<u>1,363,741,500</u>	<u>96,332,500</u>	<u>1,460,074,000</u>

Liability component

	Batch one <i>HK\$'000</i> <i>(note (a))</i>	Batch two <i>HK\$'000</i> <i>(note (b))</i>	Total <i>HK\$'000</i>
At 1 January 2024	42,797	2,486	45,283
Interest expense	<u>1,184</u>	<u>68</u>	<u>1,252</u>
At 30 June 2024 (unaudited)	<u>43,981</u>	<u>2,554</u>	<u>46,535</u>

Equity component

	Batch one <i>HK\$'000</i> <i>(note (a))</i>	Batch two <i>HK\$'000</i> <i>(note (b))</i>	Total <i>HK\$'000</i>
At 1 January 2024 and 30 June 2024 (unaudited)	<u>1,078,217</u>	<u>94,027</u>	<u>1,172,244</u>

Notes:

- (a) Pursuant to a sale and purchase agreement entered into with Winluck Global Limited and Silky Apex Limited (the “**Vendors**”) on 30 May 2018, the Company issued a total of 451,576,000 ordinary shares and a batch of perpetual convertible bonds to the Vendors on 17 August 2018 as partial consideration for the acquisition of 95% equity interest in Wise Expert Investment Limited (“**Wise Expert**”). Further details of the acquisition are set out in the Company’s announcements dated 30 May 2018 and 17 August 2018, and a circular dated 20 July 2018.

For accounting purpose, the fair value of the perpetual convertible bonds issued as consideration for the acquisition of Wise Expert as at the date of completion of the acquisition amounted to HK\$1,130,568,000.

Further details of the terms of these perpetual convertible bonds are set out in the Company’s circular dated 20 July 2018.

- (b) Pursuant to a sale and purchase agreement entered into with the Vendors on 30 May 2018, the Company further issued a batch of perpetual convertible bonds to the Vendors on 31 December 2021 as consideration for the acquisition of a remaining 5% equity interest in Wise Expert. Further details of the acquisition are set out in the Company’s announcement dated 31 December 2021, and a circular dated 20 July 2018.

For accounting purposes, the fair value of the perpetual convertible bonds issued as consideration for the acquisition of Wise Expert as at the date of completion of the acquisition amounted to HK\$97,296,000.

Further details of the terms of these perpetual convertible bonds are set out in the Company’s circular dated 20 July 2018.

- (c) The conversion of the perpetual convertible bonds is subject to, amongst others, the condition that any conversion will not result in the public float of the Company’s shares being less than 25% of the total issued shares of the Company.

14. SHARE CAPITAL

	(Unaudited) 30 June 2024 HK\$’000	(Audited) 31 December 2023 HK\$’000
Issued and fully paid:		
3,199,373,986 ordinary shares	<u>3,152,571</u>	<u>3,152,571</u>

15. SHARE OPTION SCHEME

The Company's share option scheme (the "**Share Option Scheme**") was adopted pursuant to a resolution passed on 7 November 2016 (the "**Adoption Date**") for the primary purpose of (i) incentivising and rewarding those who have contributed or may contribute to the development of the Group; and (ii) attracting and retaining skilled and experienced personnel ("**Eligible Participants**") and motivating them to strive for the future development of the Group by providing them with an opportunity to acquire proprietary interests in the Company thereby linking their interest with that of the Group. The Share Option Scheme will remain in force for a period of ten years commencing on the Adoption Date and shall expire on 6 November 2026, subject to early termination provisions contained in the terms of the Share Option Scheme. The board of directors of the Company may grant options to Eligible Participants to subscribe for shares in the Company subject to the terms of the Share Option Scheme.

30,000,000 share options were granted to an employee of the Company with 1 year vesting period on 28 April 2023 under the Share Option Scheme with an original exercise price of HK\$0.922 per share. The fair value of these share options on grant date was HK\$9,709,000 (HK\$0.3236 each), HK\$3,130,000 (six months ended 30 June 2023: HK\$1,732,000) was recognised as a share option expense in profit or loss during the Period.

16. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period's presentation and disclosures.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the Period, 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 and other services for office buildings, residential properties and car parks. As at 30 June 2024, AOCEAN managed 17 major residential and commercial property projects, which were 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 Period, 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. Approximate average of 91% of the commercial area and approximate average of 90% of the residential area have been leased out during the Period. 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 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 three retail tenants, which contributed approximately £3.3 million rental income to the Group for the Period.

- ***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

	Six months ended 30 June 2024 HK\$'000	Six months ended 30 June 2023 HK\$'000
Revenue	178,214	169,507
Profit for the Period	282	39,275
	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Total assets	6,373,925	6,412,623
Total liabilities	3,330,402	3,310,331
Net assets	3,043,523	3,102,292
Net debts [^]	2,768,365	2,658,490
Capital liquidity ratio ^{**}	0.20	0.26
Gearing ratio [#]	91.0%	85.7%

[^] 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 Period, the Group generated revenue of approximately HK\$178,214,000 (six months ended 30 June 2023: approximately HK\$169,507,000). The property management segment reported segment revenue of approximately HK\$94,068,000 (six months ended 30 June 2023: approximately HK\$103,821,000). The property development and investment segment reported segment revenue of approximately HK\$84,146,000 (six months ended 30 June 2023: approximately HK\$65,686,000), 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 profit for the Period of approximately HK\$282,000 (six months ended 30 June 2023: approximately HK\$39,275,000). The decrease in profit was mainly attributable to no remeasurement gain arising from transferral of properties held for sale to investment properties being recognised for the six months ended 30 June 2024 as compared to that of the corresponding period in 2023 (six months ended 30 June 2023: approximately HK\$61,714,000), as partially offset by no fair value loss of investment properties recognised for the six months ended 30 June 2024 as compared to that of the corresponding period in 2023 (six months ended 30 June 2023: loss of approximately HK\$28,366,000).

As at 30 June 2024, the outstanding balance of bank and other borrowings was approximately HK\$2,641,045,000 (31 December 2023: approximately HK\$2,650,828,000), of which the balance mainly consisted of (i) two bank loans of approximately HK\$1,535,427,000 (31 December 2023: approximately HK\$1,572,637,000) secured by Juxon House, certain portion of Guorui Square Block B and lease receivables; (ii) other loans of approximately HK\$1,103,387,000 (31 December 2023: approximately HK\$1,075,105,000) 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\$2,231,000 (31 December 2023: approximately HK\$3,086,000). Among the outstanding balance of bank and other borrowing, one of the loans from independent third parties of US\$16,000,000 (equivalent to approximately HK\$124,920,000) bore an interest at a fixed rate of 12.5% (31 December 2023: US\$16,000,000, equivalent to approximately HK\$124,930,000).

As at 30 June 2024, the Group had available cash and bank balances of approximately HK\$243,127,000 (31 December 2023: approximately HK\$305,556,000).

Foreign currency exposure

During the Period, 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 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.

Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained an appropriate liquidity position throughout the Period. 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.

Human resources and remuneration policy

As at 30 June 2024, the total number of employees of the Group (excluding Directors) was 468 (30 June 2023: 402). Most of them were located in the PRC.

The total remuneration of the employees of the Group for the Period was approximately HK\$49,656,000 (six months ended 30 June 2023: approximately HK\$39,198,000).

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.

Interim dividend

The Board resolved not to declare any interim dividend for the Period (six months ended 30 June 2023: Nil).

Pledge of assets

As at 30 June 2024, the Group had investment properties and properties held for sale amounting to approximately HK\$5,460,676,000 in total (31 December 2023: approximately HK\$5,483,381,000) to secure banks and other borrowings and financial guarantee contracts. Such bank and other borrowings comprise of loans presented in the section headed "Financial analysis" of this interim results announcement.

As at 30 June 2024, certain trade and lease receivables of approximately HK\$54,824,000 (31 December 2023: approximately HK\$49,216,000) in total was pledged to secure bank and other borrowings 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\$146,512,000 (31 December 2023: approximately HK\$184,693,000) has been classified as restricted cash. Besides, as at 30 June 2024, no principal-protected deposit (31 December 2023: approximately HK\$11,261,000) has been maintained.

Capital and other development related commitment and contingent liabilities

As at 30 June 2024, the Group had no material contingent liabilities (31 December 2023: Nil). As at 30 June 2024, the Group had contracted but not provided for commitments for construction in progress for an investment property amounting to approximately HK\$29,764,000 (31 December 2023: approximately HK\$70,301,000).

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 Period.

Share options

30,000,000 share options were granted to an employee on 28 April 2023 under the Company's share option scheme (the "**Share Option Scheme**"), which was vested 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.

As at 30 June 2024, the total number of outstanding share options under the Share Option Scheme is 30,000,000, representing approximately 0.9% of the total number of issued shares of the Company. The total number of shares that may be issued in respect of share options granted under all schemes of the Company during the Period divided by the weighted average number of Shares in issue for the Period was approximately 0.5%. The total number of share options available for grant under the scheme mandate of the Share Option Scheme as at 1 January 2024 and 30 June 2024 were 289,937,398 and 289,937,398, respectively.

During the period ended 30 June 2024, no share option was exercised or cancelled that, as at 1 January 2024, 28 March 2024 and 30 June 2024, the total number of shares available for issue under the Share Option Scheme (i.e. the 10% limit of shares to be issued less shares exercised or cancelled under the Share Option Scheme) were 319,937,398, 319,937,398 and 319,937,398, respectively, representing 10% of the total number of issued shares of the Company.

FUTURE PROSPECT

Looking ahead, 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 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 and other 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 or redeemed any of the Company's listed securities during the Period.

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 Period 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 Period, 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.

Code provision C.1.6 stipulates that the independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Tung Woon Cheung Eric and Mr. Leung Louis Ho Ming, the independent non-executive Directors, were unable to attend the extraordinary general meeting of the Company held on 2 February 2024 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 Period.

AUDIT COMMITTEE

The audit committee is responsible for reviewing and supervising the financial reporting process, internal control and risk management procedures of the Group. The Group’s interim results for the Period have been reviewed by the audit committee.

As at 30 June 2024, the audit committee comprised three independent non-executive Directors, namely Mr. Tung Woon Cheung Eric (chairman of the audit committee), Ms. To Tsz Wan Vivien and Mr. Leung Louis Ho Ming.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this interim results 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 Period.

PUBLICATION OF RESULTS ON WEBSITES

Pursuant to the Listing Rules, the results of the Company are published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.grlifestyle.com.hk).

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

Hong Kong, 30 August 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*