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光大永年

Everbright Grand China Assets Limited

EVERBRIGHT GRAND CHINA ASSETS LIMITED
光大永年有限公司

(Incorporated in the British Virgin Islands with limited liability and transferred by way of continuation into the Cayman Islands)

(Stock code: 3699)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The board of directors (the "**Director(s)**") (the "**Board**") of Everbright Grand China Assets Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018 together with the comparative figures for the year ended 31 December 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2018

(Expressed in Renminbi (RMB))

	Note	**2018** *RMB'000*	2017 *RMB'000*
Revenue	*4*	**61,742**	66,657
Cost of services and sales		**(15,453)**	(16,089)
Gross profit		**46,289**	50,568
Valuation gains on investment properties		**33,787**	18,585
Other net income/(losses)	*5*	**2,679**	(225)
Distribution costs		**(904)**	(830)
Administrative expenses		**(26,665)**	(27,774)
Other operating expenses		**(303)**	(55)
Profit from operations		**54,883**	40,269
Finance costs		**(1,614)**	(2,194)
Profit before taxation	*6*	**53,269**	38,075
Income tax	*7*	**(16,715)**	(13,809)
Profit for the year		**36,554**	24,266
Attributable to:			
Equity shareholders of the Company		**36,554**	24,266
Earnings per share	*8*		
Basic and diluted		**RMB 0.08**	RMB 0.07

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

(Expressed in RMB)

	2018	2017
	RMB'000	*RMB'000*
Profit for the year	**36,554**	24,266
Other comprehensive income for the year (after tax and reclassification adjustment)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of: financial statements of companies outside the People's Republic of China (the "**PRC**")	**7,106**	(888)
Total comprehensive income for the year	**43,660**	23,378
Attributable to:		
Equity shareholders of the Company	**43,660**	23,378

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018

(Expressed in RMB)

	Note	31 December 2018 RMB'000	31 December 2017 Note RMB'000
Non-current assets			
Investment properties		**900,900**	876,600
Property, plant and equipment		**3,298**	3,437
Deferred tax assets		**1,457**	1,325
		905,655	881,362
Current assets			
Properties held for sale		**13,983**	3,794
Trade and other receivables	*10*	**8,549**	8,742
Cash and cash equivalents		**181,311**	42,435
		203,843	54,971
Current liabilities			
Trade and other payables	*11*	**25,706**	20,797
Contract liabilities		**4,705**	—
Bank loans	*9*	**6,000**	6,000
Current taxation		**767**	1,924
		37,178	28,721
Net current assets		**166,665**	26,250
Total assets less current liabilities		**1,072,320**	907,612
Non-current liabilities			
Bank loans	*9*	**20,500**	26,500
Deferred tax liabilities		**172,765**	161,847
		193,265	188,347
NET ASSETS		**879,055**	719,265
CAPITAL AND RESERVES			
Share capital		**345,042**	273,975
Reserves		**534,013**	445,290
TOTAL EQUITY		**879,055**	719,265

Note: The Group has initially applied HKFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

NOTES

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "**Group**").

The measurement basis used in the preparation of the financial statements is the historical cost basis except for investment properties which are stated at its fair value. The consolidated financial statements are presented in RMB, rounded to the nearest thousand, unless otherwise indicated.

The preparation of financial statements in conformity with Hong Kong Financial Reporting Standards ("**HKFRSs**") requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

2 CHANGES IN ACCOUNTING POLICIES

(i) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 9 and HK(IFRIC) 22 do not have a material effect on how the Group's results and financial position for the current or prior period have been prepared or presented in these financial statements.

The Group has been impacted by HKFRS 15 in relation to presentation of contract liabilities. Details of the changes in accounting policies are discussed in note 1(c(ii)) for HKFRS 15. Under the transition methods chosen, the Group recognises the cumulative effects of the initial application of HKFRS 15 as an adjustment to the opening statement of financial position at 1 January 2018. Comparative information is not restated.

(ii) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method. Comparative information has not been restated and continues to be reported under HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

To reflect these changes in presentation, the Group has reclassified RMB675 thousand from receipt-in-advance under "Trade and other payables" to contract liabilities at 1 January 2018, as a result of the adoption of HKFRS 15.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the Group's accounting policies, which are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following critical accounting policies involve the most significant judgements and estimates used in the preparation of the consolidated financial statements. Other key sources of estimation uncertainty are as follows:

(a) Valuation of investment properties

Investment properties are included in the consolidated statement of financial position at their fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time. The fair value of investment properties is assessed annually by independent qualified valuers, after taking into consideration the net income allowing for reversionary potential and redevelopment potential of the properties.

The assumptions adopted in the property valuations are based on the market conditions existing at the end of the reporting period, with reference to the appropriate capitalisation rate.

(b) Income tax

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the provisions for income taxes, as the calculations of which depend on the ultimate tax determinations and are subject to uncertainties. When the final tax outcomes of these matters are different from the amounts that were initially recorded, such differences will impact the income tax in the period in which such determinations are made.

(c) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

4 REVENUE

The principal activities of the Group are property leasing, provision of property management services and sales of properties held for sale.

(i) Disaggregation of revenue

Disaggregation of revenue from each significant category is as follows:

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Provision of property management services	**18,272**	20,446
Sales of properties held for sale	**—**	6,699
	18,272	27,145
Revenue from other sources		
Gross rentals from investment properties	**43,470**	39,512
	61,742	66,657

Note: The group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11.

The Group's customer base is diversified and includes two customers with whom transactions have exceeded 10% of the Group's revenues for the year ended 31 December 2018 (2017: three customers). Revenues from these customers amounted to approximately RMB15,050 thousand in 2018 (2017: RMB24,328 thousand).

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2018, the remaining performance obligation under the Group's existing contracts is RMB 32,926 thousand. This amount represents revenue expected to be recognised in the future from the sale contract for the property held for sale and sale contracts for providing property management services respectively. The Group will recognise the expected revenue in future, in the case of property held for sale, when the property is assigned to the customer at March 2019, or in the case of providing property management services, when the services are completed, which is expected to occur over the next one to six years.

(iii) Total future minimum lease receivables by the Group

Total future minimum lease receivables under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**27,230**	30,329
After 1 year but within 5 years	**39,858**	59,844
After 5 years	**4,966**	5,781
	72,054	95,954

5 OTHER NET INCOME/(LOSSES)

	2018	2017
	RMB'000	*RMB'000*
Interest income from bank deposits	**1,147**	233
Net foreign exchange gains/(losses)	**1,379**	(564)
Others	**153**	106
	2,679	(225)

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2018	2017
	RMB'000	*RMB'000*
(a) Finance costs		
Interest expenses on bank loans	**1,614**	2,194

	2018	2017
	RMB'000	*RMB'000*
(b) Staff costs		
Salaries, wages and other benefits	**17,371**	15,338
Contributions to defined contribution retirement plan	**1,295**	1,421
	18,666	16,759

Employees of the Group's PRC subsidiaries are required to participate in a defined contribution scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a Mandatory Provident Fund Scheme ("**the MPF Scheme**") for all qualifying employees in Hong Kong. The Group's and employee's contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employee (up to a cap of monthly relevant income of HK$30,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

The Group has no other material obligation for the payment of retirement benefits associated with these schemes beyond the annual contributions as described above.

	2018	2017
	RMB'000	*RMB'000*
(c) ***Other items***		
Cost of properties held for sale sold	**—**	1,817
Depreciation	**335**	380
Impairment losses		
– trade and other receivables	**237**	141
Auditor's remuneration		
– audit service	**1,060**	728
– review and other service	**352**	—
Listing expenses	**7,822**	13,392

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2018	2017
	RMB'000	*RMB'000*
Current tax		
PRC Corporate Income Tax ("**CIT**")	**4,769**	3,756
PRC Land Appreciation Tax ("**LAT**")	**—**	472
Withholding tax	**1,160**	796
	5,929	5,024
Deferred tax		
Origination and reversal of temporary differences	**10,786**	8,785
	16,715	13,809

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2018	2017
	RMB'000	*RMB'000*
Profit before taxation	**53,269**	38,075
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**15,915**	12,467
Tax effect of non-deductible expenses	**6**	21
Utilisation of tax effect of deductible temporary difference not recognised	**(627)**	(295)
Tax effect of unused tax losses not recognised	**986**	—
Utilisation of tax losses previously not recognised	**—**	(259)
Withholding tax on distributed earnings and earnings to be distributed in the foreseeable future	**—**	1,057
Withholding tax for interest charges between PRC subsidiaries and non-PRC subsidiaries	**435**	464
LAT	**—**	472
Tax effect on LAT	**—**	(118)
Actual tax expense	**16,715**	13,809

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Island ("**BVI**"), the Group is not subject to any income tax in the Cayman Island and BVI.

The income tax rate applicable to Group entities incorporated in Hong Kong, for the income subject to Hong Kong Profits Tax during the year ended 31 December 2018 is 16.5% (2017:16.5%). No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the year ended 31 December 2018 (2017: nil).

According to the notice of taxation from relevant tax authorities, Brighter Win Limited's ("**Brighter Win**") established a PRC branch in Kunming, which is determined as a body that substantially carries out comprehensive management and control on the branch's business operation, employees, accounts and assets of the branch within the PRC. Accordingly, Brighter Win's PRC branch is subject to PRC corporate income tax at the rate of 25% on the taxable income.

8 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB36,554 thousand (2017: RMB24,266 thousand), and the weighted average of 436,863 thousand ordinary shares (2017: 331,000 thousand shares) in issue during the year, calculated as follows:

	2018	2017
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	**33,100,000**	33,100,000
Effect of share subdivision	**297,900,000**	297,900,000
Effect of new shares issued	**105,863,014**	—
Weighted average number of ordinary shares in issue	**436,863,014**	331,000,000

The earnings per share calculation above has taken into account of the Share Subdivision. The Share Subdivision became effective on 16 January 2018, which was immediately prior to the completion of the Global Offering. Accordingly, the number of ordinary shares in issue has been adjusted retrospectively as if it was effective on 1 January 2017.

There were no dilutive potential ordinary shares for the year ended 31 December 2018, and therefore, diluted earnings per share are the same as the basic earnings per share.

9 BANK LOANS

At 31 December 2018, the bank loans were repayable as follows:

	2018 ***RMB'000***	2017 *RMB'000*
Bank loans — secured		
— Within 1 year or on demand	**6,000**	6,000
— After 1 year but within 2 years	**6,000**	6,000
— After 2 years but within 5 years	**14,500**	20,500
— After 5 years	**—**	—
	20,500	26,500
	26,500	32,500

Pursuant to the loan framework agreement with China Everbright Bank Co., Ltd. Hong Kong Branch, the undrawn banking facilities of the Group amounted to HKD 300,000 thousand (equivalent to RMB262,860 thousand) as at 31 December 2018.

The effective interest rates of bank loans of the Group as at 31 December 2018 were 5.15% (2017: 5.15%) per annum.

Secured bank loan with a carrying value of RMB26,500 thousand as at 31 December 2018 (2017: RMB32,500 thousand) were secured by investment properties with an aggregated carrying amount of RMB340,121 thousand (2017: RMB326,086 thousand) owned by the Group.

10 TRADE AND OTHER RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade debtors, net of loss allowance	**2,471**	250
Lease receivables, net of loss allowance	**4,998**	3,423
Prepaid listing expenses	**—**	4,372
Other debtors	**1,080**	697
Financial assets measured at amortised cost	**8,549**	8,742

Ageing analysis

As at the end of the reporting date, the ageing analysis of trade debtors and lease receivable (which are included in trade and other receivables), based on the invoice date and net of loss allowances, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Current	**715**	690
Within 3 months	**5,302**	2,964
3 to 6 months	**563**	19
6 to 9 months	**563**	—
9 to 12 months	**563**	—
Over 1 year	**—**	141
Less: allowance for impairment of trade receivables	**(237)**	(141)
	7,469	3,673

Trade debtors and lease receivable are due pursuant to the terms of the agreements.

11 TRADE AND OTHER PAYABLES

	31 December 2018	1 January 2018	31 December 2017
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	**515**	364	364
Interest payable	**45**	54	54
Other taxes and charges payable	**1,540**	931	931
Deposits	**5,550**	5,883	5,883
Accrued payroll and other benefits	**5,087**	1,733	1,733
Accrued listing expenses	**3,443**	2,235	2,235
Receipt-in-advance	**7,184**	7,652	8,327
Other payables	**2,342**	1,270	1,270
Financial liabilities measured at amortised cost	**25,706**	20,122	20,797

Upon the adoption of HKFRS 15, an opening adjustment of RMB675 thousand included as "Receipt-in-advance" under "Trade and other payables" was reclassified to contract liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Result

For the financial year ended 31 December 2018, the Group's profit attributable to equity shareholders of the Company and revenue amounted to approximately RMB36.6 million (2017: approximately RMB24.3 million) and approximately RMB61.7 million (2017: approximately RMB66.7 million) respectively.

Business Review

The Group is principally engaged in the businesses of property leasing, property management and sales of properties held for sale.

The Group's profit attributable to equity shareholders of the Company for the year ended 31 December 2018 was approximately RMB36.6 million (2017: approximately RMB24.3 million), which represented an increase of approximately 50.6% as compared to the last year. The increase in profit was mainly due to the increase in (i) revenue from property leasing, (ii) valuation gains on investment properties and (iii) other income. Moreover, reduction of administrative expenditure was one of the reasons for the increase in profit for this year. The Group's revenue for the year ended 31 December 2018 amounted to approximately RMB61.7 million (2017: approximately RMB66.7 million), which represented a decrease of approximately RMB5.0 million compared with last year, mainly due to no non-recurring revenue from sales of the residential properties in 2018. On the contrary, revenue on core business from property leasing and property management was grown in 2018 as compared with last year. The basic earnings per share for the year ended 31 December 2018 was approximately RMB0.08 as compared to basic earnings per share of approximately RMB0.07 for the corresponding period of last year. The review of the individual business segment of the Group is set out below.

Property Leasing Business

The rental income from the Group's property leasing business was approximately RMB43.5 million for the year ended 31 December 2018 (2017: RMB39.5 million). The Group's leasing properties are located in Chengdu, Sichuan province and Kunming, Yunnan province in the PRC. Our property portfolio comprises three commercial buildings, namely Everbright Financial Center, part of Everbright International Mansion and Ming Chang Building, with a total gross floor area ("**GFA**") of approximately 88,529 sq.m. and residential properties, namely part of Dufu Garden, with a total GFA of approximately 1,242 sq.m. This year, rental income increased was mainly due to increase in new tenants and increment of monthly rent.

Property Leasing Portfolio

	GFA owned (sq. m.)	Commercial use GFA(1) (sq. m.)	Average occupancy rate 2018 (%)	Average occupancy rate 2017 (%)	Average occupancy rate (Commercial use) (1) 2018 (%)	Average occupancy rate (Commercial use) (1) 2017 (%)	Revenue 2018 RMB (million)	Revenue 2017 RMB (million)
Commercial Properties								
Everbright Financial Center	33,357	30,173	83%	76%	92%	82%	24.8	21.8
Everbright International Mansion	38,199	28,905	71%	71%	95%	100%	9.1	8.3
Ming Chang Building	16,973	14,489	99%	99%	99%	99%	8.9	8.7
	88,529	73,567					42.8	38.8
Residential Properties								
Dufu Garden	1,242	1,242	100%	100%	100%	100%	0.7	0.7
	89,771	74,809					43.5	39.5

Note:

(1) Excluding warehouses and parking spaces which cannot be used as offices, commercial spaces or residence.

Property Management Service

In order to maximize the value of our properties, we have a professional property management team to provide the property management services for our properties, Everbright Financial Center and Everbright International Mansion. Revenue from the Group's entirety property management services was approximately RMB18.3 million for the year ended 31 December 2018 (2017: RMB20.4 million). During the year, although the revenue from our property management services increased due to newly awarded/renewed contracts, the increase was offset by the decrease in the non-recurring value-added property management services income. Total GFA under our management increased to approximately 59,078 sq.m., an increase of 13% as compared with the end of last corresponding year (2017: 52,236 sq.m.).

Investment Properties

Our investment properties mainly consist of land and/or buildings which are owned or held under leasehold interest to earn rental income and/or for capital appreciation. The total value of the investment properties was RMB900.9 million at the year ended 31 December 2018 (31 December 2017: RMB876.6 million). The valuation gain on investment properties for the year ended 31 December 2018 amounted to approximately RMB33.8 million (2017: approximately RMB18.6 million), representing an increase of approximately RMB15.2 million over last year which reflected an improvement of property market conditions.

Prospects

Looking forward, the Group believes that Chinese economic development has entered into a new phase, which is from speedy growth to high quality growth. Following the comprehensive building of a well-off society and jointly building of "One Belt, One Road", the Chinese economy will build up its inner momentum relentlessly and continue the positive trend. The constant implementation of in-depth reforms in important areas, nurturing of new momentum and reform on traditional momentum will create synergies. The PRC will continue to be the main driver and stabilizer of global economic growth. It is expected that the office market of Chengdu and Kunming City in the PRC will continue to benefit from the continuous robust development of the economy in Western China and steadily grow. In order to improve the good and reasonable occupancy rate and steady recurring income, the Group will continue to enhance its quality management and strengthen its competitive rental strategies.

On the other hand, the Group will adopt a variety of measures to increase our corporate efficiency, enhance the informationization of management, as well as increase management efficiency. We shall properly manage our general fund planning and operation, give full play to the advantages of "Everbright" brand and its credibility and strive to further improve income with continuous control on its operational cost.

Currently, the Group will continue the existing plan and focus on the United Kingdom as our primary overseas investment destination. Given the lower exchange rate of British pounds at present and the mature market of London, the Group can diversify its investment portfolio and consider that there are certain investment opportunities and attractiveness of London. The Group will explore and expand opportunities of property portfolio of our Group through acquisition of properties with a better net initial yield and stability of tenant leasing.

Meanwhile, the Group also is seeking for quality investment projects in the PRC. We adopt the "strong-strong cooperation" approach to increase the chance of internal cooperation with Everbright Group and together to develop and integrate relevant high-quality properties. We also expect to jointly develop and expand our asset size with strong investors in the PRC to further increase profit for the Group and realize a sizable upgrade in asset quality to give back to our shareholders.

Liquidity and Financial Resources

The total equity of the Group as at 31 December 2018 was approximately RMB879.1 million (31 December 2017: approximately RMB719.3 million). As at 31 December 2018, the Group maintained cash and cash equivalents of approximately RMB181.3 million (31 December 2017: approximately RMB42.4 million). The Group's net current assets of approximately RMB166.7 million as at 31 December 2018 (31 December 2017: approximately RMB26.3 million). The Group had current assets of approximately RMB203.8 million as at 31 December 2018 (31 December 2017: approximately RMB55 million). The increase of current assets was mainly due to proceeds from issuance of ordinary shares under the global offering of the shares of the Company on 16 January 2018 ("**Listing Date**") and the reclassification of certain investment property to properties held for sale. The Group had current liabilities of RMB37.2 million (31 December 2017: approximately RMB28.7 million). The increase of current liabilities was mainly due to increase of accrued listing expenses and accrued staff costs.

The Group generally finances its operations with internally generated cash flow and bank loans in the PRC. As at 31 December 2018, the Group had outstanding bank loans of approximately RMB26.5 million (31 December 2017: approximately RMB32.5 million). The bank loans as at 31 December 2018 were secured by the Group's investment properties.

The Group's gearing ratio is measured by the total interest-bearing borrowings divided by total equity and multiplied by 100%. As at 31 December 2018, the gearing ratio was 3% (31 December 2017: 4.5%). The Group has implemented certain loan management policies which include close monitoring of the gearing ratio and any changes in interest rates.

The long-term funding and working capital required by the Group are primarily derived from income generated from core business operations and bank loans which were used to finance its business operations and investment in construction projects. The Group's liquidity position was well-managed in this year.

To manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents considered adequate by its management to finance its operations and mitigate the effects of fluctuations in cash flow. The Group's management also monitors its net current assets/liabilities and the utilization of borrowings to ensure efficient use of the available banking facilities and compliance with loan covenants.

Foreign Exchange

The Group's transactions and monetary assets as well as all bank loans are principally denominated in RMB. The management of the Group is of the opinion that the Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the year ended 31 December 2018. Therefore, the Group did not engage in any hedging activities.

Contingent Liability

As at 31 December 2018, the Group had no contingent liability (2017: Nil).

Use of Net Proceeds from the Listing

The shares of the Company were successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited on the Listing Date (the "**Listing**"). Since the Group has not yet acquired any property in London, the net proceeds from the Listing are deposited into interest-bearing bank accounts.

The net proceeds are and will be applied in the manner consistent with that mentioned in the Prospectus. The Directors considered that it would be in the best interest of the Group without materially impairing its financial capabilities to temporarily utilize such funds by earning interest income in the bank accounts and are not aware of any material change to the proposed use of the proceeds as at the date of this announcement.

Charges on Group Assets

Chengdu Everbright International Mansion Co., Ltd (成都國際大厦有限公司), a wholly owned subsidiary of the Group in Chengdu, had a bank loan with Bank of China Co., Ltd. since 2010. The bank loan was secured by an aggregate GFA of approximately 38,082 sq.m. in the building of Chengdu Everbright International Mansion Co., Ltd. This building was used as collateral to obtain a long-term loan of RMB73.0 million maturing on 29 June 2022. As at 31 December 2018, the outstanding loan balance was RMB26.5 million.

Employees and Emolument Policy

As at 31 December 2018, the Group employed a total of 134 full-time employees (2017: 156 employees) and appointed 8 directors. Total staff costs, including Directors' emoluments, of the Group were approximately RMB18.7 million (2017: RMB16.8 million). The Group reviews the remuneration policies and packages on a regular basis and makes necessary adjustment commensurate with the remuneration level in the industry. In addition to a basic monthly salary, year-end bonuses are offered to staff with outstanding performance. A share option scheme has not been adopted during the year.

The same remuneration policy is applicable to the fixing of Directors' remuneration. Apart from market benchmarks, the Group considers individual performance and contributions and the affordability of the Group in determining the remuneration for each Director.

The Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees.

ANNUAL GENERAL MEETING

The 2019 annual general meeting ("**AGM**") of the Company will be held on 20 June 2019. The notice of the AGM will be published and dispatched in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in due course.

FINAL DIVIDEND

The Directors did not recommend the declaration of final dividend for the year ended 31 December 2018 (2017: nil).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 17 June 2019 to Thursday, 20 June 2019, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all completed transfer form accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, 14 June 2019.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its own code of corporate governance since the Listing Date. The Company has complied with all applicable code provisions of the CG Code set out therein, except for CG Code provision A.2.1, throughout the period from the Listing Date up to the date of this announcement.

Pursuant to the CG Code provision A.2.1 of the Corporate Governance Code, the roles of the chairman and the chief executive of the Company should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive of the Company should be clearly established and set out in writing.

The roles of the chairman and the chief executive officer ("**CEO**") of the Company are not separated and are performed by the same individual. Mr. Liu Jia ("**Mr. Liu**") acted as both the chairman and the CEO since the Listing Date. Since Mr. Liu has a wealth of experience in real estate investment, operations and investment projects and has been working for various subsidiaries of Everbright Group since 1991, our Directors consider that vesting the roles of the chairman of the Board and the CEO of the Company in Mr. Liu is beneficial to the management and business development of the Group and will provide strong and consistent leadership to the Group.

As the Board currently comprises two executive Directors (including Mr. Liu), two non-executive Directors and four independent non-executive Directors and therefore our Directors are of the view that there is a fairly strong independence element in its composition.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry with each of the Directors, the Company has received confirmations from all Directors that they have complied with the required standards as set out in the Code of Conduct and the Model Code since the Listing Date and up to the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises three members, namely Mr. Tsoi David (chairman of the Audit Committee), an independent non-executive Director, Mr. Shek Lai Him Abraham, an independent non-executive Director, Mr. Li Yinzhong, a non-executive Director. The principal duties of the Audit Committee include, among others, the review of the Group's financial reporting procedures, risk management, internal controls and results. The audited consolidated financial statements of the Group for the year ended 31 December 2018 have been reviewed by the Audit Committee.

SCOPE OF WORK OF KPMG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary results announcement have been compared by the Group's auditor, KPMG, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG on the preliminary results announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company's website at www.ebgca.com.hk. The annual report of the Company for the year ended 31 December 2018 will be available on both websites and dispatched to the shareholders of the Company in due course.

By Order of the Board
Everbright Grand China Assets Limited
Liu Jia
Chairman

Hong Kong, 19 March 2019

As at the date of this announcement, the Board comprises Mr. Liu Jia and Mr. Lin Zimin as executive Directors; Ms. Tse Hang Mui and Mr. Li Yinzhong as non-executive Directors; and Mr. Tsoi David, Mr. Shek Lai Him Abraham, Mr. Lee Jor Hung and Ms. Yu Pauline Wah Ling as independent non-executive Directors.