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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

HIGHLIGHTS

- For the six months ended 30 June 2019, the unaudited revenue increased to approximately RMB37.8 million, representing an increase of approximately 21.54% as compared to approximately RMB31.1 million for the corresponding period of last year.

- For the six months ended 30 June 2019, the profit attributable to equity shareholders of the Company amounted to approximately RMB18.7 million, representing a decrease of approximately 35.29% as compared to approximately RMB28.9 million for the corresponding period of last year.

- For the six months ended 30 June 2019, basic earnings per share of the Group was approximately RMB0.04.

- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six month ended 30 June 2018: nil).

The board (the "**Board**") of directors (the "**Directors**") of Everbright Grand China Assets Limited (the "**Company**") is pleased to announce the unaudited financial results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2019 together with the comparative figures for the corresponding period in 2018.

Consolidated statement of profit or loss

for the six months ended 30 June 2019 — unaudited
(Expressed in Renminbi (RMB))

	Note	**Six months ended 30 June**	
		2019	2018
			(Note)
		RMB'000	*RMB'000*
Revenue	*3*	**37,772**	31,122
Cost of sales		**(16,845)**	(7,251)
Gross profit		**20,927**	23,871
Valuation gains on investment property	*8*	**11,949**	29,417
Other net income	*4*	**1,178**	928
Distribution costs		**(169)**	(492)
Administrative expenses		**(7,069)**	(13,270)
Other operating expenses		**(165)**	(138)
Profit from operations		**26,651**	40,316
Finance costs	*5*	**(738)**	(843)
Profit before taxation	*5*	**25,913**	39,473
Income tax	*6*	**(7,169)**	(10,603)
Profit for the period		**18,744**	28,870
Attributable to:			
Equity shareholders of the Company		**18,744**	28,870
Earnings per share	*7*		
Basic and diluted		**RMB0.04**	RMB0.07

Note: The Group has initially applied HKFRS 16 from 1 January 2019 using the modified retrospective approach. Under the transition methods chosen, comparative information is not restated. See note 2.

The notes on pages 6 to 21 form part of this interim financial information.

Consolidated statement of profit or loss and other comprehensive income

for the six months ended 30 June 2019 — unaudited
(Expressed in RMB)

	Six months ended 30 June	
	2019	2018
		(Note)
	RMB'000	*RMB'000*
Profit for the period	**18,744**	28,870
Other comprehensive income for the period (after tax):		
Item that may be reclassified to profit or loss:		
Exchange differences on translation of:		
— financial statements of companies outside the People's Republic of China (the "**PRC**")	**1,194**	2,493
Total comprehensive income for the period	**19,938**	31,363
Attributable to:		
Equity shareholders of the Company	**19,938**	31,363

Note: The Group has initially applied HKFRS 16 from 1 January 2019 using the modified retrospective approach. Under the transition methods chosen, comparative information is not restated. See note 2.

The notes on pages 6 to 21 form part of this interim financial information.

Consolidated statement of financial position

at 30 June 2019 — unaudited
(Expressed in RMB)

	Note	**At 30 June 2019**		At 31 December 2018 *(Note)*	
		RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Non-current assets					
Investment properties	*8*		**907,800**		900,900
Other property, plant and equipment	*8*		**7,393**		3,298
Deferred tax assets			**1,432**		1,457
			916,625		905,655
Current assets					
Properties held for sale		**9,905**		13,983	
Trade and other receivables	*9*	**13,189**		8,549	
Cash and cash equivalents	*10*	**184,103**		181,311	
		207,197		203,843	
Current liabilities					
Trade and other payables	*11*	**13,552**		25,706	
Contract liabilities		**7,536**		4,705	
Bank loans		**6,000**		6,000	
Lease liabilities	*2(d)*	**1,342**		—	
Current taxation		**1,300**		767	
		29,730		37,178	
Net current assets			**177,467**		166,665
Total assets less current liabilities			**1,094,092**		1,072,320

	Note	At 30 June 2019		At 31 December 2018 (Note)	
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities					
Bank loans		**17,500**		20,500	
Lease liabilities	*2(d)*	**2,359**		—	
Deferred tax liabilities		**175,240**		172,765	
			195,099		193,265
NET ASSETS			**898,993**		879,055
CAPITAL AND RESERVES					
Share capital	*12(b)*		**345,042**		345,042
Reserves			**553,951**		534,013
TOTAL EQUITY			**898,993**		879,055

Note: The Group has initially applied HKFRS 16 from 1 January 2019 using the modified retrospective approach. Under the transition methods chosen, comparative information is not restated. See note 2.

The notes on pages 6 to 21 form part of this interim financial information.

Notes to the unaudited interim financial information

(Expressed in RMB unless otherwise indicated)

1 Basis of preparation

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 29 August 2019.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial information is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial information as comparative information does not constitute the company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Group has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Group's auditor has reported on those financial statements. 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 section 406(2), 407(2) or (3) of the Companies Ordinance.

2 Changes in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial information. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases — incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach. The initial application has no impact on the initial application. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 8(a).

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the following types of right-of-use asset:

— right-of-use assets that meet the definition of investment property are carried at fair value;

— right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at fair value; and

— right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("**leasehold investment properties**"). The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply HKAS 40, Investment properties, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 5%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

As the lease commitment at 31 December 2018 was short term lease with remaining lease term ending on or before 31 December 2019, the initial application of HKFRS16 has no impact on the opening balance.

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 June 2019 *RMB'000*	**At 1 January 2019** *RMB'000*
Included in "Other property, plant and equipment":		
Other properties leased for own use, carried at depreciated cost	3,677	—
Ownership interests in leasehold investment properties, carried at fair value	907,800	900,900
	911,477	900,900

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 June 2019		**At 1 January 2019**	
	Present value of the minimum lease payments *RMB'000*	**Total minimum lease payments** *RMB'000*	**Present value of the minimum lease payments** *RMB'000*	**Total minimum lease payments** *RMB'000*
Within 1 year	1,342	1,466	—	—
After 1 year but within 2 years	1,397	1,466	—	—
After 2 years but within 5 years	962	977	—	—
After 5 years	—	—	—	—
	2,359	2,443	—	—
	3,701	3,909	—	—
Less: total future interest expenses		(208)		—
Present value of lease liabilities		3,701		—

(e) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under HKFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16 (A)	**Add back: HKFRS 16 depreciation and interest expense (B)**	**Deduct: Estimated amounts related to operating leases as if under HKAS 17** *(note 1)* **(C)**	**Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B-C)**	Compared to amounts reported for 2018 under HKAS 17
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	*RMB'000*
Financial result for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:					
Profit from operations	26,651	452	(258)	26,845	40,316
Finance costs	(738)	52	—	(686)	(843)
Profit before taxation	25,913	504	(258)	26,159	39,473
Profit for the period	18,744	504	(258)	18,990	28,870

	2019			2018
	Amounts reported under HKFRS 16 (A)	**Estimated amounts related to operating leases as if under HKAS 17** *(notes 1 & 2)* **(B)**	**Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B)**	Compared to amounts reported for 2018 under HKAS 17
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*
Line items in the condensed consolidated cash flow statement for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:				
Cash generated from operations	13,396	(258)	13,138	9,049
Net cash generated from operating activities	9,258	(258)	9,000	5,435
Capital element of lease rentals paid	(218)	218	—	—
Interest element of lease rentals paid	(40)	40	—	—
Net cash (used in)/generated from financing activities	(6,829)	258	(6,571)	109,809

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

3 Revenue and segment reporting

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

(a) Disaggregation of revenue

Disaggregation of revenue from each significant category is as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Provision of property management services	**7,635**	9,793
Sales of properties held for sale	**10,140**	—
	17,775	9,793
Revenue from other sources		
Gross rentals from investment properties	**19,997**	21,329
	37,772	31,122

(b) Segment reporting

The directors of the Company have been identified as the Group's most senior executive management. Operating segments are identified on the basis of internal reports that the Group's most senior executive management reviews regularly in allocating resources to segments and in assessing their performances.

The Group's most senior executive management makes resources allocation decisions based on internal management functions and assess the Group's business performance as one integrated business instead of by separate business lines or geographical regions. Accordingly, the Group has only one operating segment and therefore, no segment information is presented.

The Group primarily operates in the PRC and accordingly, no geographical information is presented.

4 Other net income

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Interest income from bank deposits	**1,085**	454
Net foreign exchange (losses)/gains	**(185)**	404
Others	**278**	70
	1,178	928

5 Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
(a) Finance costs		
Interest expense on bank loans	**738**	843
(b) Staff costs		
Salaries, wages and other benefits	**6,468**	6,656
Contributions to defined contribution retirement plan	**693**	732
	7,161	7,388
Included in:		
Cost of sales	**3,241**	3,749
Administrative expenses	**3,788**	3,496
Distribution costs	**132**	143
	7,161	7,388

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*

(c) Other items

Depreciation	**535**	191
Auditor's remuneration	**352**	333
Listing expenses	**—**	6,877
Cost of properties held for sale sold	**10,189**	—

6 Income tax

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Current tax — PRC Corporate Income Tax ("**CIT**")	**2,568**	2,982
Deferred taxation	**2,499**	7,621
Current tax — PRC Land Appreciation Tax	**731**	—
Withholding tax	**1,371**	—
	7,169	10,603

All subsidiaries of the Company established and operated in the PRC are subject to the PRC CIT at an applicable rate of 25%.

Pursuant to "Announcement of the State Administration of Taxation on Issues Relating to Enterprise Income Tax Pertaining to Implementation of the Catalogue of Encouraged Industries in Western Region", Chengdu Everbright Property Management Co., Ltd ("**Everbright PM**") falls within the eligible industry category and is eligible to enjoy the preferential income tax rate of 15% from 2011 to 2020.

Taxation for other entities of the Group is charged at their respective applicable income tax rate ruling in the relevant jurisdictions.

7 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB18,744 thousand (six months ended 30 June 2018: RMB28,870 thousand) and the weighted average of 441,400,000 ordinary shares (six months ended 30 June 2018: 432,200,000 shares) in issue during the interim period.

There were no dilutive potential ordinary shares for the six months ended 30 June 2019, and therefore, diluted earnings per share is the same as the basic earnings per share.

8 Investment properties and other property, plant and equipment

(a) Right-of-use assets

As discussed in note 2, the Group has initially applied HKFRS 16 using the modified retrospective method. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in note 2.

During the six months ended 30 June 2019, the Group entered into one lease agreements for use of office, and therefore recognised the additions to right-of-use assets of RMB4,136,238.

(b) Acquisitions and disposals

During the six months ended 30 June 2019, the Group acquired items of plant and machinery with a cost of RMB1,606 thousand (six months ended 30 June 2018: RMB431 thousand). No items of plant and machinery were disposed of during the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

(c) Valuation

The valuations of investment properties were updated at 30 June 2019 by the Group's independent valuer using the same valuation techniques as were used by this valuer when carrying out the 31 December 2018 valuations.

As a result of the update, a net gain of RMB11,949 thousand (six months ended 30 June 2018: RMB29,417 thousand), and deferred tax thereon of RMB2,987 thousand (six months ended 30 June 2018: RMB7,354 thousand) has been recognised in profit or loss for the period in respect of investment properties.

9 Trade and other receivables

As of the end of the reporting period, the ageing analysis of trade debtors based on the date the relevant trade receivables recognised is as follows:

	At 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Current	**2,240**	715
Within 3 months	**7,033**	5,302
3 to 6 months	**563**	563
6 to 9 months	**713**	563
9 to 12 months	**563**	563
Over 1 year	**1,126**	—
Less: allowance for impairment of trade receivables	**(378)**	(237)
Trade debtors, net of loss allowance	**11,860**	7,469
Other debtors	**1,329**	1,080
Financial assets measured at amortised cost	**13,189**	8,549

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

10 Cash and cash equivalents

	At 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Bank deposits	**184,066**	181,277
Cash on hand	**37**	34
Cash and cash equivalents in the consolidated statement of financial position and in the consolidated cash flow statement	**184,103**	181,311

11 Trade and other payables

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
Trade payables	**744**	515
Interest payable	**38**	45
Other taxes and charges payable	**307**	1,540
Rental deposits	**5,520**	5,550
Accrued payroll and other benefits	**616**	5,087
Accrued listing expenses	**575**	3,443
Receipts-in-advance	**3,607**	7,184
Other payables	**2,145**	2,342
Financial liabilities measured at amortised cost	**13,552**	25,706

12 Capital, reserves and dividends

(a) Dividends

The Directors did not recommend any interim dividend in respect of the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

(b) Share capital

	At 30 June 2019		At 31 December 2018	
	No. of shares		No. of shares	
	'000	***US$'000***	*'000*	*US$'000*
Authorised ordinary shares:				
At the beginning of the period/ year	**4,000,000**	**4,000,000**	40,000	40,000
Share Subdivision	**—**	**—**	360,000	—
Increase in authorised share capital	**—**	**—**	3,600,000	360,000
At the end of the period/year	**4,000,000**	**4,000,000**	4,000,000	400,000

	At 30 June 2019		At 31 December 2018	
	No. of shares		No. of shares	
	'000	***RMB'000***	*'000*	*RMB'000*
Ordinary shares, issued and fully paid:				
At the beginning of the period/ year	**441,400**	**345,042**	33,100	273,975
Share Subdivision	**—**	**—**	297,900	—
Issuance of ordinary shares under IPO	**—**	**—**	110,400	71,067
At the end of the period/year	**441,400**	**345,042**	441,400	345,042

The holders of ordinary shares are entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

13 Material related party transactions

The material related party transactions entered by the Group during the interim period are as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Property leasing income from related parties	**3,169**	3,127
Net advances to related parties	**—**	3,005
Placement of deposits	**305,239**	527,123
Withdrawal of deposits	**317,281**	491,306

14 Comparative figures

The Group has initially applied HKFRS 16 from 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the six months ended 30 June 2019, the Group's revenue and profit attributable to equity shareholders of the Company amounted to approximately RMB37.8 million (six months ended 30 June 2018: approximately RMB31.1 million) and approximately RMB18.7 million (six months ended 30 June 2018: approximately RMB28.9 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 revenue for the six months ended 30 June 2019 amounted to approximately RMB37.8 million (six months ended 30 June 2018: approximately RMB31.1 million), which represented an increase of approximately RMB6.7 million compared with the corresponding period of last year. The revenue increased was mainly due to the income from the sale of a property in 2019. Profit attributable to equity shareholders of the Company for the six months ended 30 June 2019 was approximately RMB18.7 million (six months ended 30 June 2018: approximately RMB28.9 million). The decrease in profit was mainly due to the decrease in valuation gains on investment properties compared against corresponding period of last year. The basic earnings per share for the six months ended 30 June 2019 was approximately RMB0.04 as compared to basic earnings per share of approximately RMB0.07 for the corresponding period of last year. The review of the individual business segments of the Group is set out below.

Property Leasing

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 440 sq.m. As at 30 June 2019, our commercial properties portfolio's occupancy rate was approximately 84%, the residential properties portfolio's occupancy was approximately 100%. The rental income from the Group's property leasing business was approximately RMB20.0 million for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB21.3 million). During this period, the decrease in the rental income was mainly due to the expiration of the tenancy agreement from the individual tenant.

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 property management services was approximately RMB7.6 million for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB9.8 million). During this period, the decrease in the property management service income was mainly due to the expiration of tenancy agreement of an individual tenant.

Sales of Properties

Our residential properties are located at Dufu Garden, Chengdu, Sichuan province in the PRC. During the six months ended 30 June 2019, one of the units had been sold, representing 30.0% GFA of the remaining project.

Investment Properties

Our investment properties mainly consist of land and buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. As at 30 June 2019, the fair value of the investment properties was RMB907.8 million (31 December 2018: RMB900.9 million). The valuation gain on investment properties for the six months ended 30 June 2019 amounted to approximately RMB11.9 million (six months ended 30 June 2018 : approximately RMB29.4 million), representing a decrease of approximately RMB17.5 million as compared with last year.

PROSPECTS

The escalating trade war between the PRC and the United States of America hastened the tense situation along with policy instability amid transactions, posing damage to the prospects of the future economic development. Notwithstanding a slowdown in the global economy, the PRC managed to maintain significant annual growth that its GDP reached 6.2% (medium grade) during the interim period of 2019, in compliance with the market expectation of 6.0–6.5% extension. The monetary policy and fiscal measures promulgated by the national government are expected to alleviate the exchange rate of RMB and strengthen the domestic consumption as well as local investment. It is anticipated that such decision can offset the opposing impacts brought by trade tariff, in order to sustain the demand of office and retail segments.

The principal business of the Group is investment in commercial properties located in the downtown areas of Chengdu and Kunming in the PRC, with rentals from property leasing and property management fees as its major revenue. Take-up of domestic office market in these two areas will remain steady as bolstered by the demand from financial and professional sectors. Influx of premier office supply and decentralization of office submarkets have constrained their rental increment in these two areas. To sustain higher occupancy rate along with stable recurring income, the Group will continue to adopt leasing strategies with great efficiency and be cautiously optimistic towards the market outlook.

In order to ensure the advantages of property management business, the Group will strive to uphold a steady relationship with its existing clients, customer-oriented, actively enhance the service quality, furthermore, expand new businesses to increase future potential growth. Meanwhile, the Group will prolong the adoption of a strong alliance policy with China Everbright Group Limited ("**China Everbright Group**") for synergistic effect to search for excellent investment projects in the PRC. The Group will adhere to the positioning of investment in commercial properties with the purpose of optimizing its own asset structure and quality, explore potential overseas investment, including the London, U.K., to maintain an equilibrium between domestic and foreign investments so as to intensify corporate competitiveness. Looking forward, the Group will strive to further broaden its property portfolio through acquisition of properties with a net initial yield and stable commercial leasing.

LIQUIDITY AND FINANCIAL RESOURCES

The total equity of the Group as at 30 June 2019 was approximately RMB899.0 million (31 December 2018: approximately RMB879.1 million). As at 30 June 2019, the Group maintained cash and cash equivalents of approximately RMB184.1 million (31 December 2018: approximately RMB181.3 million). The Group's net current assets of approximately RMB177.5 million as at 30 June 2019 (31 December 2018: approximately RMB166.7 million). The Group had current assets of approximately RMB207.2 million (31 December 2018: approximately RMB203.8 million). The Group had current liabilities of approximately RMB29.7 million (31 December 2018: approximately RMB37.2 million). The decrease of current liabilities was mainly due to the reduction in the accrued listing expenses.

The Group generally finances its operations with internally generated cash flow and bank loan in the PRC. As at 30 June 2019, the Group had outstanding bank loan of approximately RMB23.5 million (31 December 2018: approximately RMB26.5 million). The bank loan as at 30 June 2019 was secured by the Everbright International Mansion.

The Group's gearing ratio is measured by the total interest-bearing borrowings divided by total equity and multiplied by 100%. As at 30 June 2019, the Group's gearing ratio was 2.6% (31 December 2018: 3%). The Group has implemented certain loan management policies which include close monitoring of the gearing ratio and 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 loan which were used to finance its business operations and investment in construction projects. The Group's liquidity position was well-managed in this reporting period.

To manage liquidity risk, the Group monitors and maintains the level of cash and cash equivalents considered as 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 reporting period. Therefore, the Group did not engage in any hedging activities.

CONTINGENT LIABILITY

At as 30 June 2019, the Group had no contingent liability (31 December 2018: Nil).

CHARGES ON GROUP ASSETS

Chengdu Everbright International Mansion Co., Ltd (成都國際大廈有限公司), a wholly owned subsidiary of the Group in Chengdu, borrowed a bank loan from Bank of China Limited in 2010. The long-term loan of RMB73 million, maturing on 29 June 2022 was secured by Everbright International Mansion with an aggregate GFA of approximately 38,082 sq.m. As of 30 June 2019, the loan balance was RMB23.5 million.

USE OF NET PROCEEDS FROM THE LISTING

The net proceeds from the global offering on 16 January 2018 ("**Listing Date**") after deducting share issuance expenses and listing expenses ("**Net Proceeds**") was approximately RMB116.1 million. As at 30 June 2019, the Group had used approximately RMB6.2 million of Net Proceeds for the purposes as set out in the prospectus of the Company dated 29 December 2017 ("**Prospectus**").

	Net Proceeds	**Amount utilised as at 30 June 2019**	**Amount unutilised as at 30 June 2019**
	RMB'000	***RMB'000***	***RMB'000***
Acquisition of Properties in major cities of the United Kingdom ("**U.K.**")	92,904	—	92,904
Upgrade the building facilities and/or renovation the properties of the Group	11,613	2,021	9,592
General corporate and working capital	11,613	4,140	7,473
Total	116,130	6,161	109,969

Since the Group has not yet acquired any property in the U.K., the remaining unused Net Proceeds are deposited into interest-bearing bank accounts.

The remaining unused 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 to earn 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.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2019, the Group employed a total of 136 full-time employees (as at 30 June 2018: 136 employees) and appointed 8 Directors. Total staff costs, including Directors' emoluments, of the Group were approximately RMB7.2 million (six months ended 30 June 2018: RMB7.4 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. Save for the existing Share Option Scheme (as defined below), no share option scheme has been adopted during the period.

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.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 15 December 2017 (the "**Share Option Scheme**") for the purpose of providing incentive or rewarding eligible persons ("**Eligible Persons**"). Eligible Persons include director, employee, agent, consultant, business partner, joint venture partner, supplier of goods or services or any director or employee of such supplier, customer or any director or employee of such customer, and person or entity that provides research, development or other technological support or any advisory, consultancy or professional services or any director or employee of such entity, who has contributed or will contribute to the Group on the basis of their contribution to the development and growth of the Group.

The Share Option Scheme became effective on the Listing Date and, unless otherwise cancelled or amended, will remain in force for 10 years from the date of adoption of the Share Option Scheme (i.e. 14 December 2027).

No share options were granted under the Share Option Scheme since their adoption or approval.

CORPORATE GOVERNANCE

The Board of the Company is committed to maintaining good corporate governance standards. The Board believes that good corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 six months ended 30 June 2019.

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, and accordingly, there is no written terms setting out the division of responsibilities between the chairman and chief executive. Since Mr. Liu has a wealth of experience in real estate investment, operations and investment projects and has been working for various subsidiaries of China 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

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 the Directors' securities transactions. Having made specific enquiries to the Directors, all Directors confirmed that they had complied with the required standard of dealings as set out in the Mode Code throughout the six months ended 30 June 2019.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

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

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three members, namely Mr. Tsoi David, an independent non-executive Director, Mr. Shek Lai Him Abraham, an independent non-executive Director, and Mr. Li Yinzhong, a non-executive Director. Mr. Tsoi David is the chairman of the Audit Committee. 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 Audit Committee has reviewed the unaudited consolidated interim results of the Group for the six months ended 30 June 2019 and agreed to the accounting principles and practices adopted by the Group.

The unaudited consolidated interim financial information of the Company for the six months ended 30 June 2019 has been reviewed by the Company's external auditors, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", issued by the HKICPA.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.ebgca.com.hk. The interim report of the Company for the six months ended 30 June 2019 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, 29 August 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.