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 2019

HIGHLIGHTS

- For the year ended 31 December 2019, the audited revenue increased to approximately RMB71.3 million, representing an increase of approximately 15.6% as compared to approximately RMB61.7 million of last year.
- For the year ended 31 December 2019, the profit attributable to equity shareholders of the Company amounted to approximately RMB37.3 million, representing an increase of approximately 1.9% as compared to approximately RMB36.6 million of last year.
- For the year ended 31 December 2019, basic earnings per share was approximately RMB0.08.
- The Board recommends the payment of a final dividend of RMB2.03 cents (equivalent to HK2.22 cents) per ordinary share for the year ended 31 December 2019 (2018: Nil).

The board (the "**Board**") of directors (the "**Director(s)**") 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 2019 together with the comparative figures for the year ended 31 December 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2019

(Expressed in Renminbi (RMB))

	Note	**2019** *RMB'000*	2018 *(Note)* *RMB'000*
Revenue	*4*	**71,274**	61,742
Cost of services and sales		**(29,830)**	(15,453)
Gross profit		**41,444**	46,289
Valuation gains on investment properties		**26,392**	33,787
Other net income	*5*	**7,951**	2,679
Distribution costs		**(404)**	(904)
Administrative expenses		**(19,931)**	(26,665)
Other operating gains/(expenses)		**22**	(303)
Profit from operations		**55,474**	54,883
Finance costs	*6(a)*	**(1,425)**	(1,614)
Profit before taxation	*6*	**54,049**	53,269
Income tax	*7(a)*	**(16,768)**	(16,715)
Profit for the year		**37,281**	36,554
Attributable to:			
Equity shareholders of the Company		**37,281**	36,554
Earnings per share	*8*		
Basic and diluted		**RMB 0.08**	RMB 0.08

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

(Expressed in RMB)

		2019	2018
			(Note)
	Note	***RMB'000***	*RMB'000*
Profit for the year		**37,281**	36,554
Other comprehensive income for the year (after tax and reclassification adjustment)			
Item 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**")		**3,610**	7,106
Total comprehensive income for the year		**40,891**	43,660
Attributable to:			
Equity shareholders of the Company		**40,891**	43,660

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019

(Expressed in RMB)

	Note	31 December 2019 RMB'000	31 December 2018 (Note) RMB'000
Non-current assets			
Investment properties		**922,400**	900,900
Property, plant and equipment		**6,899**	3,298
Deferred tax assets		**1,445**	1,457
		930,744	905,655
Current assets			
Properties held for sale		**3,719**	13,983
Trade and other receivables	*9*	**9,680**	8,549
Cash and cash equivalents		**201,258**	181,311
		214,657	203,843
Current liabilities			
Trade and other payables	*10*	**18,603**	25,706
Contract liabilities		**934**	4,705
Bank loan	*11*	**6,500**	6,000
Lease liabilities		**1,394**	—
Current taxation		**2,952**	767
		30,383	37,178
Net current assets		**184,274**	166,665
Total assets less current liabilities		**1,115,018**	1,072,320
Non-current liabilities			
Bank loan	*11*	**14,000**	20,500
Lease liabilities		**1,699**	—
Deferred tax liabilities		**179,373**	172,765
		195,072	193,265
NET ASSETS		**919,946**	879,055
CAPITAL AND RESERVES			
Share capital		**345,042**	345,042
Reserves		**574,904**	534,013
TOTAL EQUITY		**919,946**	879,055

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise indicated)

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2019 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 (see note 3(a)) which are stated at their 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 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

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. 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 from 1 January 2019. The Group has elected to use the modified retrospective approach. The initial application has no impact on the opening balances. 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. 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.

b. Lessee accounting and transitional impact

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 which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

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.

c. 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 give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated 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 in 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	Add back: HKFRS 16 depreciation and interest expense	Deduct: Estimated amounts related to operating leases as if under HKAS 17 *(note 1)*	Hypothetical amounts for 2019 as if under HKAS 17	Compared to amounts reported for 2018 under HKAS 17
	(A)	(B)	(C)	(D=A+B+C)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial result for the year ended 31 Dec 2019 impacted by the adoption of HKFRS 16:					
Profit from operations	55,474	1,150	(1,242)	55,382	54,883
Finance costs	(1,425)	122	—	(1,303)	(1,614)
Profit before taxation	54,049	1,272	(1,242)	54,079	53,269
Profit for the year	37,281	1,272	(1,242)	37,311	36,554

	2019			2018
	Amounts reported under HKFRS 16	**Estimated amounts related to operating leases as if under HKAS 17**	**Hypothetical amounts for 2019 as if under HKAS 17**	**Compared to amounts reported for 2018 under HKAS 17**
		(notes 1 & 2)		
	(A)	**(B)**	**(C=A+B)**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Line items in the consolidated cash flow statement for the year ended 31 Dec 2019 impacted by the adoption of HKFRS 16:				
Cash generated from operations	35,207	(1,242)	33,965	24,275
Net cash generated from operating activities	27,244	(1,242)	26,002	17,189
Capital element of lease rentals paid	(1,120)	1,120	—	—
Interest element of lease rentals paid	(122)	122	—	—
Net cash used in financing activities	(11,409)	1,242	(10,167)	113,376

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.

d. 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.

e. Lessor accounting

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements in this regard.

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:

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Provision of property management services	**15,474**	18,272
Sales of properties held for sale	**16,165**	—
	31,639	18,272
Revenue from other sources		
Gross rentals from investment properties	**39,635**	43,470
	71,274	61,742

The Group's customer base is diversified and includes one customer with whom transactions have exceeded 10% of the Group's revenues for the year ended 31 December 2019 (2018: two customers). Revenues from these customers amounted to approximately RMB10,119 thousand in 2019 (2018: RMB15,050 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 2019, the remaining performance obligation under the Group's existing contracts is RMB17,137 thousand. This amount represents revenue expected to be recognised in the future from the contracts for providing property management services. The Group will recognise the expected revenue in the case of providing property management services, when the services are completed, which is expected to occur over the next one to five 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:

	2019	2018
	RMB'000	*RMB'000*
Within 1 year	**22,890**	27,230
After 1 year but within 5 years	**60,191**	39,858
After 5 years	**36,186**	4,966
	119,267	72,054

5 OTHER NET INCOME

	2019	2018
	RMB'000	*RMB'000*
Interest income from bank deposits	**2,585**	1,147
Net foreign exchange gains	**186**	1,379
Compensation of expenses (note)	**4,810**	—
Others	**370**	153
	7,951	2,679

Note: The compensation of expenses is related to previous years dispute in selling of properties. The Group and the counterparty entered into a settlement agreement on 8 October 2019 under the court's supervision, according to which the counterparty would pay a total sum of RMB4,810 thousand as a compensation of relevant expenses incurred by the Group. The amounts have been received by the court on 28 November 2019 and subsequently received by the Group on 3 January 2020.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2019	2018
		(Note)
	RMB'000	*RMB'000*
(a) Finance costs		
Interest expenses on bank loan	**1,303**	1,614
Interest on lease liabilities	**122**	—
	1,425	1,614

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.

	2019	2018
	RMB'000	*RMB'000*

(b) Staff costs

	2019 *RMB'000*	2018 *RMB'000*
Salaries, wages and other benefits	**16,324**	17,371
Contributions to defined contribution retirement plan	**1,325**	1,295
	17,649	18,666

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.

(c) Other items

	2019 ***RMB'000***	2018 *RMB'000*
Cost of properties held for sale sold	**15,489**	—
Depreciation		
— owned property, plant and equipment	**374**	335
— right-of-use assets*	**1,171**	—
Impairment losses		
— trade and other receivables	**(47)**	96
Auditor's remuneration		
— audit service	**1,303**	1,060
— review and other service	**352**	352
Listing expenses	**—**	7,822

* The Group has initially applied HKFRS 16 from 1 January 2019. The Group has elected to use the modified retrospective approach. The initial application has no impact on the opening balances. Comparative information has not been restated and continues to be reported under HKAS 17, see note 2. After initial recognition of right-of-use assets in 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term.

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2019	2018
	RMB'000	*RMB'000*
Current tax		
PRC Corporate Income Tax ("**CIT**") *(note 7(b))*	**6,078**	4,769
PRC Land Appreciation Tax ("**LAT**") *(note 7(b))*	**1,478**	—
Withholding tax *(note 7(b))*	**2,592**	1,160
	10,148	5,929
Deferred tax		
Origination and reversal of temporary differences	**6,620**	10,786
	16,768	16,715

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

	2019	2018
	RMB'000	*RMB'000*
Profit before taxation	**54,049**	53,269
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**15,295**	15,915
Tax effect of non-deductible expenses	**5**	6
Utilisation of tax effect of deductible temporary difference previously not recognised	**(1,246)**	(627)
Tax effect of unused tax losses not recognised	**—**	986
Utilisation of tax losses previously not recognised	**(986)**	—
Withholding tax on distributed earnings	**2,121**	—
Withholding tax for interest charges between PRC subsidiaries and the Company	**471**	435
LAT	**1,478**	—
Tax effect on LAT	**(370)**	—
Actual tax expense	**16,768**	16,715

Pursuant to the rules and regulations of the Cayman Islands and 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 2019 is 16.5% (2018:16.5%). 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 2019 (2018: Nil).

According to the notice of taxation from relevant tax authorities, Brighter Win Limited ("**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 RMB37,281 thousand (2018: RMB36,554 thousand), and the weighted average of 441,400 thousand ordinary shares (2018: 436,863 thousand shares) in issue during the year, calculated as follows:

	2019	2018
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	**441,400,000**	33,100,000
Effect of share subdivision	**—**	297,900,000
Effect of new shares issued	**—**	105,863,014
Weighted average number of ordinary shares in issue	**441,400,000**	436,863,014

There were no dilutive potential ordinary shares for the years ended 31 December 2019 and 31 December 2018, and therefore, diluted earnings per share are the same as the basic earnings per share.

9 TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade debtors, net of loss allowance	**573**	2,471
Lease receivables, net of loss allowance	**3,371**	4,998
Other debtors	**5,736**	1,080
Financial assets measured at amortised cost	**9,680**	8,549

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:

	2019	2018
	RMB'000	*RMB'000*
Current	**289**	715
Within 3 months	**3,695**	5,302
3 to 6 months	**—**	563
6 to 9 months	**—**	563
9 to 12 months	**—**	563
Over 1 year	**150**	—
Less: allowance for impairment of trade receivables	**(190)**	(237)
	3,944	7,469

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

10 TRADE AND OTHER PAYABLES

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Trade payables	**521**	515
Interest payable	**38**	45
Other taxes and charges payable	**1,059**	1,540
Deposits	**5,862**	5,550
Accrued payroll and other benefits	**3,914**	5,087
Listing expenses payable	**586**	3,443
Receipt-in-advance	**3,414**	7,184
Other payables	**3,209**	2,342
Financial liabilities measured at amortised cost	**18,603**	25,706

11 BANK LOAN

At 31 December 2019, the bank loan were repayable as follows:

	2019	2018
	RMB'000	*RMB'000*
Bank loan — secured		
— Within 1 year or on demand	**6,500**	6,000
— After 1 year but within 2 years	**7,000**	6,000
— After 2 years but within 5 years	**7,000**	14,500
	14,000	20,500
	20,500	26,500

The effective interest rate of bank loan of the Group for the year ended 31 December 2019 was 5.15% (2018: 5.15%) per annum.

Secured bank loan with a carrying value of RMB20,500 thousand as at 31 December 2019 (2018: RMB26,500 thousand) was secured by investment properties with an aggregated carrying amount of RMB354,803 thousand (2018: RMB340,121 thousand) owned by the Group.

Pursuant to the loan framework agreement with China Everbright Bank Co., Ltd. Hong Kong Branch, the undrawn banking facilities of the Group amounted to HKD300,000 thousand (equivalent to RMB268,734 thousand) as at 31 December 2019.

12 DIVIDEND

	2019	2018
	RMB'000	*RMB'000*
Final dividend proposed after the end of the reporting period of RMB2.03 cents per ordinary share (2018: Nil)	**8,960**	—
	8,960	—

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period and is subject to approval by the shareholders in the forthcoming annual general meeting.

13 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

Since early 2020, the epidemic of Coronavirus Disease 2019 (the "**COVID-19 outbreak**") has spread across the PRC and other countries and it has affected the business and economic activities of the Group to some extent. The Group could possibly be affected by the temporary waivers of rentals offered to existing tenants and difficulty in sourcing new tenants due to the short-term economic slowdown.

Given the continuous spread of the disease, the Board considered it is impracticable to estimate the financial impact to the Group as at the date of this announcement. The Board will closely monitor the development of the COVID-19 outbreak and continue to evaluate its impact on the business, the financial position and operating results of the Group. The related impacts will be reflected in the Group's 2020 interim and annual consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Result

For the financial year ended 31 December 2019, the Group's profit attributable to equity shareholders of the Company and revenue amounted to approximately RMB37.3 million (2018: approximately RMB36.6 million) and approximately RMB71.3 million (2018: approximately RMB61.7 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 2019 was approximately RMB37.3 million (2018: approximately RMB36.6 million), which represented an increase of approximately 1.9% as compared to the last year. Despite the decrease in gross profit and valuation gains on investment properties, the slight increase in profit for the year was primarily due to the increase in other net income as a result of the Group's receipt of a one-time non-recurring income and decrease in distribution costs and administrative expenses. The Group's revenue for the year ended 31 December 2019 amounted to approximately RMB71.3 million (2018: approximately RMB61.7 million), which represented an increase of approximately 15.6% as compared to the last year. The increase was mainly due to the non-recurring revenue from sales of the residential properties. The basic earnings per share for the year ended 31 December 2019 was approximately RMB0.08 (2018: RMB0.08). Review of the individual business segment of the Group is set out below.

Property Leasing

The rental income from the Group's property leasing business was approximately RMB39.6 million for the year ended 31 December 2019 (2018: RMB43.5 million). The Group's properties are located in Chengdu, Sichuan province and Kunming, Yunnan province in the PRC. As at 31 December 2019, the Group's 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 square meter ("**sq.m.**") and residential properties, namely part of Dufu Garden, with a total GFA of approximately 440 sq.m. For the year ended 31 December 2019, the decrease in rental income was mainly due to the increase in vacancy rate in the commercial buildings.

Property Leasing Portfolio

	As at 31 December 2019		Average occupancy rate		Average occupancy rate (Commercial use)[1]		Rental Income for the year ended 31 December	
	GFA owned	Commercial use GFA[1]	**2019**	2018	**2019**	2018	**2019**	2018
							RMB	*RMB*
	(sq.m.)	*(sq.m.)*	**%**	%	**%**	%	***(million)***	*(million)*
Commercial Properties								
Everbright Financial Center	33,357	30,175	**68%**	83%	**75%**	92%	**20.3**	24.8
Everbright International Mansion	38,199	28,905	**72%**	71%	**95%**	95%	**9.6**	9.1
Ming Chang Building	16,973	14,489	**85%**	85%	**99%**	99%	**9.1**	8.9
	88,529	73,569					**39.0**	42.8
Residential Property								
Dufu Garden	440	440	**100%**	100%	**100%**	100%	**0.6**	0.7
	88,969	74,009					**39.6**	43.5

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 its properties, the Group has a professional property management team to provide property management services for its properties, namely Everbright Financial Center and Everbright International Mansion. Revenue from the Group's entirety property management services was approximately RMB15.5 million for the year ended 31 December 2019 (2018: RMB18.3 million). During the year, the decrease in revenue from property management services was due to the decrease in the non-recurring value-added property management services income. Total GFA under the Group's management was approximately 69,216 sq.m., representing a decrease of approximately 7.0% as compared to the last year (2018: 74,406 sq.m.).

Sales of Properties

The Group's residential properties are located at Dufu Garden, Chengdu, Sichuan province in the PRC. As at 31 December 2019, two of the units had been sold at proceeds of approximately RMB16.2 million (2018: Nil).

Investment Properties

The Group's investment properties mainly consist of land and 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 RMB922.4 million for the year ended 31 December 2019 (31 December 2018: RMB900.9 million). The valuation gain on investment properties for the year ended 31 December 2019 amounted to approximately RMB26.4 million (2018: approximately RMB33.8 million), representing a decrease of approximately RMB7.4 million as compared to last year. The decrease indicates the slow down of property market in the PRC.

Prospects

Looking ahead to 2020, the world's political and economic environment will be highly uncertain. There will be greater changes while the growth rate of the global economy is forecasted to decline, leading to severe downward pressure for China. Intensity of adjustments and fine-tuning of national economic policies may increase. Nevertheless, the trend that China's economy will grow positively in the long run remains unchanged. The PRC Government adheres to the principle of "seeking further development amid stability", stabilizing the macro-economy and monetary policy in China. As the supply from domestic real estate market is in off-season, the growth in total sales amount slows down. It is expected that adjustments in policies together with measures will effectively and gradually rise the market demand, the overall operation of the real estate market will remain steady and affirmative.

Through continuous revision of economic structure as well as furthering the policy of reform and opening in China, the office occupancy rates in urban areas in Chengdu and Kunming shall remain stable. To ensure the standard of the property management business with market competitiveness, the Group will enhance the strategic advantages by making its existing strategies for commercial leases more flexible and ameliorating its overall risk management. Also, the Group will actively improve the quality of its services, be customer-oriented, optimize the structure of the Group's self-owned assets and the system of quality control. The Group will strive to uphold the excellent and stable relationship with long-term customers to assure certain and substantial recurring income, operating profits plus high occupancy rates.

Meanwhile, the Group will extend its cooperation development policy with China Everbright Group Ltd. ("**Everbright Group**"), utilise the synergy effects in exploring quality investment projects in China and effectively connecting to its potential customers. The Group will further control its operational costs strictly, in addition to expand its new businesses to promote future sustainable gains and reasonable liquidity.

Since early 2020, the epidemic of Coronavirus Disease 2019 (referred to as "**COVID-19**") has gained extensive attention in the PRC and even internationally. In view of the current continuous spread of COVID-19, the management team as well as the business unit of the Group located in Mainland, have strictly followed the requirements of local government authorities to strengthen the material arrangement of epidemic prevention plus control, and formulated relevant emergency plans to widely promote and effectively implement epidemic precaution and control measures, in order to secure public health and society in best effort.

Looking forward, the work on epidemic prevention and control is gradually achieving results, the Group is confident that the Chinese government and people can combat and overcome this battle in the near future. There will be no change in the positive development of the PRC economy in long run. The Group will endeavor to adhere its strategic position in investing in commercial buildings, explore potential overseas markets prudently and optimistically seek for business opportunities with expansion in markets such as London, the United Kingdom. To improve the Group's corporate competitiveness through balancing its domestic and overseas investments portfolio, furthermore, to enrich the Group's property portfolio by acquiring properties which have a healthy net initial return and good prospect for commercial leasing with a view in the best interests of the shareholders as a whole.

Liquidity and Financial Resources

The total equity of the Group as at 31 December 2019 was approximately RMB919.9 million (31 December 2018: approximately RMB879.1 million). As at 31 December 2019, the Group maintained cash and cash equivalents of approximately RMB201.3 million (31 December 2018: approximately RMB181.3 million). The Group's net current assets was approximately RMB184.3 million as at 31 December 2019 (31 December 2018: approximately RMB166.7 million). The Group had current assets of approximately RMB214.7 million as at 31 December 2019 (31 December 2018: approximately RMB203.8 million). The increase of current assets was mainly due to the sale proceeds received from the disposal of properties during the year. The Group had current liabilities of RMB30.4 million (31 December 2018: approximately RMB37.2 million). The decrease of current liabilities was mainly due to the decrease in listing expenses payable and staff costs.

The Group generally finances its operations with internally generated cash flow and bank loan in the PRC. As at 31 December 2019, the Group had outstanding bank loan of RMB20.5 million (31 December 2018: RMB26.5 million). The bank loan as at 31 December 2019 was 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 2019, the gearing ratio was 2.2% (31 December 2018: 3%). 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 loan. The Group's liquidity position was well-managed in this year.

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

Foreign Exchange

The Group's transactions and monetary assets as well as liabilities 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 2019. Therefore, the Group did not engage in any hedging activities.

Contingent Liability

As at 31 December 2019, the Group had no contingent liability (2018: Nil).

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. Up to 31 December 2019, the Group had used approximately RMB6.9 million (2018: RMB4.9 million) of Net Proceeds for the purposes as set out in the prospectus of the Company dated 29 December 2017 ("**Prospectus**").

	Net Proceeds *RMB'000*	**Amount utilised up to 31 December 2019** *RMB'000*	**Amount unutilised as at 31 December 2019** *RMB'000*
Acquisition of properties in the major cities of the United Kingdom ("**U.K.**")	92,904	628	92,276
Upgrade in building facilities and / or renovating the properties of the Group	11,613	2,125	9,488
General corporate and working capital	11,613	4,140	7,473
Total	116,130	6,893	109,237

As at 31 December 2019, the amount unutilised from the Listing was approximately RMB109.2 million.

The Group is conducting market research and liaising with property agents for acquiring properties that fit the Group's selection criteria or development strategies. Due to the uncertainty in the U.K. market, the acquisition had not yet been materialized. The Group still considers investment in the U.K. property would provide a stable and favourable rate of return to the Group and will look for investment opportunities in commercial properties in the U.K. to further broaden its property portfolio outside the PRC.

The Group has been implementing its renovation plan since late 2017 in different stages. Since the average occupancy rates of the Group's commercial properties were at a relatively satisfactory level in 2018 and 2019, the management of the Group will closely monitor the vacancy rate and the condition of the Group's properties to conduct renovation work in order to maintain its competitiveness in the market, meet needs of existing and potential tenants, minimize disruption to the existing tenants and maintain and further improve occupancy rates and increase average rent by attracting quality tenants.

Going forward in 2020, the Directors will closely monitor the outbreak of COVID-19 and its impact to the global economy to evaluate our business objective and to apply unutilised proceeds from the Listing according to the changing market condition to create greater value for the shareholders.

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 to deposit such funds temporarily in the bank accounts to earn interest income 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

The outstanding bank loan of RMB20.5 million was secured by Everbright International Mansion with an aggregate GFA of approximately 38,082 sq.m. As at 31 December 2019, the fair value of the pledged assets amounted to approximately RMB354.8 million (31 December 2018: approximately RMB340.1 million).

Employees and Emolument Policy

As at 31 December 2019, the Group employed a total of 138 full-time employees (2018: 134 employees) and appointed 8 Directors. Total staff costs, including Directors' emoluments, of the Group were approximately RMB17.6 million (2018: RMB18.7 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. No share option has been granted 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.

Change of Auditors

According to the relevant regulations issued by the Ministry of Finance of the PRC in relation to audit work on financial statements of state-owned enterprises, there are restrictions in respect of the number of years of audit services that an accounting firm can continuously provide to a state-owned enterprise.

China Everbright Group Ltd. ("**China Everbright Group**"), a state-owned enterprise and the Company's controlling shareholder, previously appointed Ernst & Young as its auditor to replace KPMG as KPMG's engagement had exceeded the prescribed time limit under the relevant regulations.

The Board hereby announces that KPMG will retire as the auditor of the Company upon expiration of its current term of office at the forthcoming annual general meeting ("**AGM**") and will not seek for re-appointment as the Company's auditor.

Subject to the approval of the shareholders of the Company (the "**Shareholders**") at the upcoming AGM, the Company proposes to appoint the same auditor as China Everbright Group (i.e. Ernst & Young) in accordance with the relevant regulations. A circular containing, among others, certain information on the proposed change of auditors together with a notice convening the AGM will be despatched to the Shareholders.

KPMG has confirmed that there is no other matter in connection with the change of auditors that needs to be brought to the attention of the Shareholders.

To the best of the Boards' knowledge, information and belief, having made all reasonable enquiries, save for matters disclosed in this announcement, there is no matter in relation to the change of auditors which needs to be brought to the attention of the Shareholders. The Board wishes to take this opportunity to express its gratitude to KPMG for their professional services rendered to the Group in the past years.

ANNUAL GENERAL MEETING

The AGM will be held on 18 June 2020. 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 Board has proposed to pay a final dividend of RMB2.03 cents (equivalent to HK2.22 cents) per ordinary share (2018: Nil) for the year ended 31 December 2019, payable to the Shareholders whose names appear on the register of members of the Company (the "**Register of Members**") on Thursday, 2 July 2020. Subject to approval by the Shareholders of the payment of final dividend at the AGM of the Company to be held on Thursday, 18 June 2020, the final dividend will be paid to the Shareholders on or about Friday, 17 July 2020.

The final dividend will be paid in Hong Kong dollars. The exchange rate for the dividend to be paid in Hong Kong dollars is the central parity rate of Hong Kong dollars to RMB as announced by the People's Bank of China one day prior to the date of this announcement.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders' eligibility to attend and vote at the AGM and entitlement to the final dividend, the Register of Members will be closed in accordance with the following timetable:

(i) For determining the Shareholders' eligibility to attend and vote at the AGM:

(a)	Latest time to lodge transfer documents for registration	4:30 pm on Friday, 12 June 2020
(b)	Closure of Register of Members	Monday, 15 June 2020 to Thursday, 18 June 2020 (both dates inclusive)

(ii) For determining entitlement to the final dividend:

(a)	Latest time to lodge transfer documents for registration	4:30 pm on Wednesday, 24 June 2020
(b)	Closure of Register of Members	Friday, 26 June 2020 to Thursday, 2 July 2020 (both dates inclusive)

During the above closure periods, no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, and to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than the relevant latest time set out above.

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

During the year ended 31 December 2019, 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, the Board considers 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 and 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 2019 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 2019 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 and the amounts were found to be in agreement. 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 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, 26 March 2020

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.