光大永年
EVERBRIGHT GRAND CHINA ASSETS

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 2022

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2022, the Group's revenue and profit attributable to equity shareholders of the Company amounted to approximately RMB27.1 million (six months ended 30 June 2021: approximately RMB25.2 million) and approximately RMB12.3 million (six months ended 30 June 2021: approximately RMB16.5 million), respectively.

- For the six months ended 30 June 2022, basic earnings per share of the Group was approximately RMB0.03 (six months ended 30 June 2021: approximately RMB0.04).

- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB0.86 cents (equivalent to HK1.03 cents) per ordinary share of the Company).

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 2022 together with the comparative figures for the corresponding period in 2021. The interim financial results are unaudited, but the Company has engaged Ernst & Young to review the interim financial results, 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 Hong Kong Institute of Certified Public Accountants, whose report on review of interim financial information is included in the interim report to be sent to the shareholders of the Company (the "**Shareholders**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	Six months ended 30 June 2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
REVENUE	4	**27,083**	25,162
Cost of services		**(6,276)**	(5,900)
Gross profit		**20,807**	19,262
Valuation gains on investment properties		**735**	9,574
Other income, net	5	**2,537**	2,412
Distribution costs		**(775)**	(603)
Administrative expenses		**(6,712)**	(7,299)
Other operating expenses		**(95)**	(452)
Profit from operations		**16,497**	22,894
Finance costs	6	**(202)**	(381)
PROFIT BEFORE TAX	7	**16,295**	22,513
Income tax	8	**(4,045)**	(5,980)
PROFIT FOR THE PERIOD		**12,250**	16,533
Attributable to:			
Equity shareholders of the Company		**12,250**	16,533
EARNINGS PER SHARE			
Basic and diluted	10	**RMB0.03**	RMB0.04

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**12,250**	16,533
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements of companies outside the People's Republic of China (the "**PRC**")	**(4,290)**	1,123
Other comprehensive income/(expense) that will not be reclassified to profit or loss in subsequent periods:		
Exchange difference on translation of financial statements of the Company	**8,315**	(4,257)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX	**4,025**	(3,134)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**16,275**	13,399
Attributable to:		
Equity shareholders of the Company	**16,275**	13,399

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	**30 June 2022 (Unaudited)** *RMB'000*	31 December 2021 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Investment properties	*11*	**955,000**	953,700
Property, plant and equipment		**1,396**	1,389
Right-of-use assets		**3,055**	3,468
Deferred tax assets		**154**	1,530
Total non-current assets		**959,605**	960,087
CURRENT ASSETS			
Trade and other receivables and prepayments	*12*	**6,116**	3,887
Cash and cash equivalents		**206,261**	203,770
Total current assets		**212,377**	207,657
CURRENT LIABILITIES			
Trade and other payables	*13*	**21,585**	23,797
Contract liabilities		**2,227**	1,461
Bank loan		**—**	7,000
Lease liabilities		**1,119**	1,100
Tax payable		**1,318**	1,265
Total current liabilities		**26,249**	34,623
NET CURRENT ASSETS		**186,128**	173,034
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,145,733**	1,133,121

	30 June 2022 (Unaudited) *RMB'000*	31 December 2021 (Audited) *RMB'000*
NON-CURRENT LIABILITIES		
Lease liabilities	**1,916**	2,370
Deferred tax liabilities	**191,181**	190,020
Total non-current liabilities	**193,097**	192,390
NET ASSETS	**952,636**	940,731
EQUITY		
Share capital	**345,042**	345,042
Reserves	**607,594**	595,689
Total equity	**952,636**	940,731

1. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting*.

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

(d) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(e) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3. OPERATING SEGMENT INFORMATION

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 resource allocation decisions based on internal management functions and assesses 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. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Provision of property management services	**7,105**	7,355
Revenue from other sources		
Gross rentals from investment properties	**19,978**	17,807
	27,083	25,162

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2022

	Provision of property management services (Unaudited) ***RMB'000***
Timing of revenue recognition	
Services transferred over time	**7,105**

For the six months ended 30 June 2021

	Provision of property management services (Unaudited) *RMB'000*
Timing of revenue recognition	
Services transferred over time	7,355

5. OTHER INCOME, NET

An analysis of other income, net, is as follows:

	Six months ended 30 June	
	2022 **(Unaudited)** ***RMB'000***	2021 (Unaudited) *RMB'000*
Interest income from bank deposits	**850**	705
Net foreign exchange gain	**940**	1,669
Government grants*	**46**	—
Others	**701**	38
	2,537	2,412

* During the six months ended 30 June 2022, government grants of HK$56,000 (approximately RMB46,000), which represented subsidies for stabilising employment, were received from the Government of the Hong Kong Special Administrative Region under the "Anti-epidemic Fund". There was no unfulfilled conditions and contingencies related to the grants.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on a bank loan	**169**	355
Interest on lease liabilities	**33**	26
	202	381

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of services rendered*	**6,276**	5,900
Depreciation of property, plant and equipment	**76**	75
Depreciation of right-of-use assets	**555**	660
Impairment of trade receivables**	**88**	435
Write-off of item of property, plant and equipment	**—**	3
Gain on disposal of item of property, plant and equipment	**—**	(17)
Auditor's remuneration	**332**	334
Employee benefit expense:		
Wages and salaries	**5,906**	6,031
Pension scheme contributions	**512**	519
	6,418	6,550

* The employee benefit expense included in cost of services rendered was RMB2,523,000 (six months ended 30 June 2021: RMB2,524,000).

** The impairment of trade receivables for the periods are included in "Other operating expenses" in the condensed consolidated statement of profit or loss.

8. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current tax — the PRC		
CIT	**1,508**	2,736
Deferred tax	**2,537**	3,244
	4,045	5,980

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

Pursuant to "Notice on Implementation of Inclusive Tax Relief Policy for Small Low-profit Enterprises Cai Shui (2019) No. 13", "Announcement on Implementing the Preferential Income Tax Policies for Micro and Small Enterprises and Individual Industrial and Commercial Households (Announcement No. 12 [2021])" and "Announcement on Further Implementing the Preferential Income Tax Policies for Micro and Small Enterprises (Announcement No. 13 [2022])", Chengdu Everbright Property Management Co., Ltd. and Chengdu Sing Kong City Real Estate Co., Ltd. fall within the eligible industry category and are eligible to enjoy the preferential income tax rates of 2.5% (a reduced rate of 12.5% of the taxable income amount, and be subject to corporate income tax at a 20% tax rate when income does not exceed RMB1,000,000) and 5% (a reduced rate of 25% of the taxable income amount, and be subject to corporate income tax at a 20% tax rate when income exceeds RMB1,000,000 but does not exceed RMB3,000,000) for the six months ended 30 June 2022 (2021: 5% when taxable income does not exceed RMB1,000,000 and 10% when taxable income exceeds RMB1,000,000 but does not exceed RMB3,000,000).

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

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10% (six months ended 30 June 2021: 5% or 10%). The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 30 June 2022, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB2,436,000 at 30 June 2022 (31 December 2021: RMB1,930,000).

9. DIVIDENDS

No payment of interim dividend for the six months ended 30 June 2022 is recommended. On 26 August 2021, the board of directors declared an interim dividend of RMB0.86 cents per ordinary share, amounting to a total of approximately RMB3,796,000 (equivalent to approximately HKD4,546,000), for the six months ended 30 June 2021.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to equity shareholders of the Company of RMB12,250,000 (six months ended 30 June 2021: RMB16,533,000), and the weighted average number of ordinary shares of 441,400,000 (six months ended 30 June 2021: 441,400,000) in issue during the period.

No adjustment has been made to the basic earnings per share presented for six months ended 30 June 2022 and 2021 as the Group had no potentially dilutive ordinary shares in issue during those periods.

11. INVESTMENT PROPERTIES

The valuations of investment properties were updated at 30 June 2022 by the Group's independent valuer using the same valuation techniques as used by this valuer when carrying out the 31 December 2021 valuations.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

An ageing analysis of the trade receivables as at the end of the reporting period, based on the payment schedule and net of loss allowance, is as follows:

	30 June 2022 (Unaudited) *RMB'000*	31 December 2021 (Audited) *RMB'000*
Within 1 month	**4,128**	2,425
1 to 2 months	**357**	—
2 to 3 months	**207**	—
	4,692	2,425
Other receivables and prepayments	**1,424**	1,462
	6,116	3,887

Trade receivables are due for payment pursuant to the terms of the agreements.

13. TRADE AND OTHER PAYABLES

	30 June 2022 (Unaudited) *RMB'000*	31 December 2021 (Audited) *RMB'000*
Trade payables	**1,302**	1,439
Interest payable	**—**	22
Other taxes and charges payable	**241**	245
Deposits received	**5,038**	5,204
Accrued payroll and other benefits	**642**	2,896
Rental receipt-in-advance	**9,026**	12,302
Dividend payable	**4,605**	—
Other payables	**731**	1,689
	21,585	23,797

Included in the balance are trade payables with the following ageing analysis based on the invoice date as at the end of the reporting period:

	30 June 2022 (Unaudited) *RMB'000*	31 December 2021 (Audited) *RMB'000*
Within 3 months	**85**	235
Over 3 months	**1,217**	1,204
	1,302	1,439

14. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in this financial information, the Group had the following transactions with related parties during the period:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Related parties:		
Property leasing income	**5,003**	4,572
Property management income	**153**	153
Placement of deposits	**248,671**	42,421
Withdrawal of deposits	**238,340**	37,525

(b) Other transactions with related parties:

During the year ended 31 December 2020, the Group has entered into a loan service framework agreement with China Everbright Group Limited dated 2 November 2020 (the "**Agreement**") for a term of five years commencing retrospectively from 1 January 2020 and ending on 31 December 2024, details of which are set out in the Company's announcement dated 2 November 2020. During the six months ended 30 June 2022 and 2021, the Group has not utilised any facilities of the Agreement.

(c) Outstanding balances with related parties:

	30 June	31 December
	2022	2021
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Cash and cash equivalents placed with a related bank	**35,890**	25,559
Trade and other receivables and prepayments	**1,193**	—
Trade and other payables	**4,897**	7,099
Contract liabilities	**153**	—

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the six months ended 30 June 2022, the Group's revenue and profit attributable to equity shareholders of the Company amounted to approximately RMB27.1 million (2021: RMB25.2 million) and approximately RMB12.3 million (2021: RMB16.5 million), respectively.

BUSINESS REVIEW

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

For the six months ended 30 June 2022, the Group recorded a revenue of approximately RMB27.1 million (2021: RMB25.2 million), representing an increase of approximately RMB1.9 million as compared to the same period last year, mainly due to rise in the average rent per square meter ("**sq.m.**"). Profit attributable to equity shareholders of the Company amounted to approximately RMB12.3 million (2021: RMB16.5 million), representing a decrease of approximately RMB4.2 million as compared to the same period last year, mainly attributable to the drop in the valuation gains on investment properties. The basic earnings per share was approximately RMB0.03 (2021: RMB0.04). A review of the Group's business segments is set out below.

Property Leasing

As at 30 June 2022, the Group's property portfolio comprises three commercial buildings, namely, Everbright Financial Center, part of Everbright International Mansion and Ming Chang Building, which are located in Chengdu, Sichuan Province and Kunming, Yunnan Province, respectively, in the People's Republic of China (the "**PRC**" or "**China**"), with a total gross floor area ("**GFA**") of approximately 89,507 (31 December 2021: 89,507) sq.m. For the six months ended 30 June 2022, the average occupancy rate of the properties was approximately 86% (2021: 84%). During the period, the Group generated rental income of approximately RMB20.0 million (2021: RMB17.8 million), representing an increase of approximately RMB2.2 million as compared to the same period last year, mainly due to the rise in the average rent per sq.m.

Property Management Service

During the period, revenue from the property management services was approximately RMB7.1 million (2021: RMB7.4 million), representing a decline of approximately RMB0.3 million as compared to the same period last year, mainly due to the decrease in the property maintenance service income.

Investment Properties

The Group's investment properties primarily consist of land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. As at 30 June 2022, the fair value of the investment properties was RMB955.0 million (31 December 2021: RMB953.7 million). For the six months ended 30 June 2022, the valuation gains on investment properties amounted to approximately RMB0.7 million (2021: RMB9.6 million), representing a decrease of approximately RMB8.9 million as compared to the same period last year.

PROSPECTS

In the first half of 2022, the pandemic's recurring outbreak in China caused certain difficulties in economic production and operations of various industries across the country. Entering the second half of 2022, epidemic prevention policies will continue to be optimised and epidemic prevention initiatives are expected to be based on more accurate and scientific data which should accelerate the economic recovery. Simultaneously, as growth stabilisation policies exerted their full influence and improved epidemic prevention and control measures are balanced with economic growth, the economy is predicted to accelerate. In the second half of the year, with the epidemic under control and real estate market stabilizes, there will be room for implementing counter-cyclical adjustments to macroeconomic policies.

So far this year, the property management industry is still in the upward development stage despite the fluctuating macro environment. Various favourable policies that will benefit the property management industry have been rolled out by central and local authorities including support for epidemic prevention and control as well as community value-added services and other areas. Currently, managing the epidemic has become the standard for epidemic prevention. Moreover, the property management industry has become more prominent in advancing epidemic controls as the epidemic response accelerated the integration of the industry with community governance, making it a critical part of the epidemic prevention and control system. With the changes in the epidemic situation, the general office of the Ministry of Housing and Urban-Rural Development and the office of the State Post Bureau jointly issued the Notice on Further Strengthening the Protection of Practitioners in the Epidemic Prevention and Control of Residential Property Service Projects (《關於進一步加強住宅物業服務項目疫情防控中從業人員防護的通知》) in May 2022, which includes property service enterprises as part of the local epidemic prevention and control system to help solve the specific difficulties encountered by these enterprises in epidemic prevention.

In the first half of the year, the Group's property leasing business was impacted by the epidemic's fluctuating situation resulting in a downward pressure on rental income from the properties. However, since last year, the Group has begun to acquire new tenants and the number of tenants continues to increase this year. Benefiting from the synergy created from the China Everbright Group and the popularity of the "Everbright" brand, the Group is able to maintain a friendly long-term cooperation that is mutually beneficial and creates a win-win situation which contributes to the stable growth of its leasing business. The new framework agreement entered into with the China Everbright Group further deepens the partnership between both parties and enhances the Group's brand influence along with its bargaining power in the capital market. In the second half of 2022, the Group intends to expand its income generated from its property management services, to actively identify domestic commercial properties with investment potential for acquisition and to generate long-term investment returns.

Looking ahead, as an important livelihood service industry, the property management industry will strive to achieve stable growth through orderly operations, provide high-quality services as the backbone of the Group's development, enhance its own competitiveness through diversified integration, and strengthen its capacity to manage cyclicality and industry risks. Specifically, with the normalisation of the epidemic prevention and control, the Group will advance work closely associated with our goal to diversify value-added services, to continuously improve the Group's brand image and popularity, and to optimise and upgrade service quality and users' experiences. Simultaneously, the Group will seek new projects in property management to increase income, improve sustainable development, and protect the long-term interests of shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2022, the Group's total equity was approximately RMB952.6 million (31 December 2021: RMB940.7 million). The Group maintained cash and cash equivalents of approximately RMB206.3 million (31 December 2021: RMB203.8 million). The Group's current assets, current liabilities and net current assets were approximately RMB212.4 million, RMB26.3 million and RMB186.1 million (31 December 2021: RMB207.7 million, RMB34.7 million and RMB173.0 million), respectively. The increase in current assets was mainly due to the increase in trade and other receivables and prepayments, and the decrease in current liabilities was mainly due to the repayment of bank loan.

The working capital and long-term funding required by the Group are primarily derived from income generated from the core business operations. The Group's gearing ratio, being measured by the Group's total liabilities over its total assets, was 18.7% (31 December 2021: 19.4%). The decrease is mainly due to the full repayment of bank loan during the period. The Group's liquidity position was well-managed.

To manage the liquidity risk, an adequate level of cash and cash equivalents that the Group considers sufficient to finance its operations and mitigate the effects of fluctuations in cash flow has been maintained. The net current assets position and utilisation of borrowings are also regularly monitored by the Group to ensure efficient use of the available banking facilities and compliance with the loan covenants.

CHARGES ON GROUP ASSETS

As at 30 June 2022, there were no charges on the group assets. As at 31 December 2021, the outstanding bank loan of RMB7 million was secured by Everbright International Mansion with an aggregate GFA of approximately 38,082 sq.m. The fair value of the pledged assets amounted to approximately RMB366.5 million.

FOREIGN EXCHANGE

The Group's transactions, monetary assets and 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 the fluctuations in currency exchange rates during the period. Therefore, the Group did not engage in any hedging activities.

CONTINGENT LIABILITY

As at 30 June 2022, the Group had no contingent liability (31 December 2021: Nil).

USE OF NET PROCEEDS FROM THE LISTING

The net proceeds raised from the global offering on 16 January 2018 (the "**Listing Date**"), after deducting relevant listing expenses, was approximately RMB116.1 million ("**Net Proceeds**"). Up to 30 June 2022, the Group had used approximately RMB13.1 million (31 December 2021: RMB13.0 million) of the Net Proceeds for the purposes as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 29 December 2017 ("**Prospectus**").

	Net Proceeds	**Amount utilised up to 31 December 2021**	**Utilised during the period ended 30 June 2022**	**Amount utilised up to 30 June 2022**	**Unutilised Net Proceeds as at 30 June 2022**	**Expected timeline for utilising the remaining Net Proceeds** *(Note)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	
Acquisition of properties in the major cities of the United Kingdom ("**U.K.**")	92,904	3,162	—	3,162	89,742	Expected to be fully utilised on or before 31 December 2023
Upgrade in building facilities and/or renovating the properties of the Group	11,613	5,746	55	5,801	5,812	Expected to be fully utilised on or before 31 December 2023
Working capital and general corporate purposes	11,613	4,140	—	4,140	7,473	N/A
Total	116,130	13,048	55	13,103	103,027	

Note: The expected timeline for utilising the remaining Net Proceeds is prepared based on the assumption of a continuing recovery from the effects of COVID-19 taking into account, among others, the prevailing and future market conditions and business developments and need. The Group shall update and re-visit its plan continuously based on market conditions and business developments and therefore the expected timeline is subject to change.

As at 30 June 2022, the unutilised Net Proceeds was approximately RMB103.0 million (31 December 2021: RMB103.1 million).

During the reporting period, the Group did not acquire properties in the U.K. since it was unable to conduct site visits on properties in London because of the COVID-19 pandemic and the travel and quarantine restrictions. As COVID-19 becomes less serious and travel and quarantine restrictions are loosened, the Group will resume its plan to conduct site visits to look for properties that fit the Group's selection criteria or development strategies. Subject to the development of the COVID-19 pandemic, after taking into account of the time required to identify potential targets which fit the selection criteria or development strategies of the Group and the time required to complete the acquisition, it is expected that the remaining Net Proceeds allocated for acquisition of properties in the major cities of U.K. will be fully utilised by the end of 2023.

In response to the outbreak, in order to ensure the safety of tenants, the property management company in the PRC has taken necessary measures to restrict the entry of engineering personnel into the building to reduce the risk of infection. Therefore, non-essential reconstruction or renovation works are postponed. When the pandemic subsides, necessary improvements and upgrades will be gradually made to the properties. Taking into account of the current situation of the COVID-19 and the time required to undergo upgrades and renovation, it is expected that the remaining amount of the unutilised Net Proceeds allocated for upgrading building facilities and/or renovating the properties of the Group could be fully utilised by the end of 2023.

Going forward in 2022, the Directors will closely monitor the development of the COVID-19 epidemic situation and its impact on the global economy to evaluate its business objectives and to apply the unutilised Net Proceeds according to the changing market condition to create greater value for the Shareholders.

The unutilised Net Proceeds will be applied according to the purposes set out in the section headed "Future Plans and Use of Proceeds" of 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.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2022, the Group employed a total of 138 (30 June 2021: 135) employees and appointed 8 (30 June 2021: 8) directors. During the reporting period, total staff costs, including directors' emoluments, of the Group were approximately RMB6.4 million (2021: RMB6.6 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, discretionary bonuses are offered to staff with outstanding performance. The Group also offers other employee benefits such as medical insurance and retirement benefits scheme.

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 Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and Corporate Governance Report (version up to 31 December 2021) 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.

Furthermore, the Board adopted the new Corporate Governance Code (version with effective from 1 January 2022) (the "**CG Code**"), the requirement under which shall apply to the Company's corporate governance report in the forthcoming financial year ending 31 December 2022.

The Company has complied with all applicable code provisions of the CG Code set out therein, except for CG Code provision C.2.1, throughout the six months ended 30 June 2022.

Pursuant to CG Code provision C.2.1, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive 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**") has 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, taking into account the consistent leadership within the Group and in order to enable more effective and efficient overall strategic planning and continuation of the implementation of such plans, the Directors consider that Mr. Liu is the best candidate for both positions and the present arrangements are beneficial and in the interests of the Group and the Shareholders as a whole.

As the Board currently comprises two Executive Directors (including Mr. Liu), two Non-executive Directors and four Independent Non-executive Directors, therefore the Directors are of the view that there is a fairly strong independence element in its composition and an appropriate delegation of authorities to the management. The Board shall nevertheless review the arrangement from time to time to ensure that it is appropriate to the Group's circumstances.

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, the Company has received confirmations from all Directors that they had complied with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2022.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB0.86 cents (equivalent to HK1.03 cents) per ordinary share of the Company).

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

During the six months ended 30 June 2022, 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 together with the management has reviewed the accounting principles and practices adopted by the Group and discussed the financial reporting matters including the review of the Group's unaudited financial results for the six months ended 30 June 2022.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM 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 interim report of the Company for the six months ended 30 June 2022 will be available on both websites and dispatched to the Shareholders in due course.

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

Hong Kong, 25 August 2022

As at the date of this announcement, the Board comprises Mr. Liu Jia and Mr. Ma Heming as executive Directors; Ms. Wang Yun and Mr. Zhuang Minrong 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.