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 2023

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2023, the Group's revenue and profit attributable to equity shareholders of the Company amounted to approximately RMB22.1 million (2022: RMB27.1 million) and approximately RMB13.3 million (2022: RMB12.3 million), respectively.

- For the six months ended 30 June 2023, basic earnings per share of the Group was approximately RMB0.03 (2022: approximately RMB0.03).

- Interim dividend of RMB1.06 cents (equivalent to HK1.16 cents) per ordinary share for the six months ended 30 June 2023 (2022: Nil).

The board (the "**Board**") of directors (the "**Directors**") of Everbright Grand China Assets Limited (the "**Company**") is pleased to announce the unaudited financial results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2023 together with the comparative figures for the corresponding period in 2022. 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 2023

		Six months ended 30 June	
	Notes	**2023**	2022
		(Unaudited)	(Unaudited)
		RMB'000	*RMB'000*
REVENUE	*4*	**22,122**	27,083
Cost of services		**(5,494)**	(6,276)
Gross profit		**16,628**	20,807
Valuation gains on investment properties		**5,380**	735
Other income, net	*5*	**3,987**	2,537
Distribution costs		**(304)**	(775)
Administrative expenses		**(7,759)**	(6,712)
Other operating expenses		**(704)**	(95)
Profit from operations		**17,228**	16,497
Finance costs	*6*	**(23)**	(202)
PROFIT BEFORE TAX	*7*	**17,205**	16,295
Income tax	*8*	**(3,884)**	(4,045)
PROFIT FOR THE PERIOD		**13,321**	12,250
Attributable to:			
Equity shareholders of the Company		**13,321**	12,250
EARNINGS PER SHARE			
Basic and diluted	*10*	**RMB0.03**	RMB0.03

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**13,321**	12,250
OTHER COMPREHENSIVE INCOME		
Other comprehensive 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**")	**(31,840)**	(4,290)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements of the Company	**34,355**	8,315
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**2,515**	4,025
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**15,836**	16,275
Attributable to:		
Equity shareholders of the Company	**15,836**	16,275

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	**30 June 2023 (Unaudited) *RMB'000***	31 December 2022 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Investment properties	*11*	**959,500**	954,100
Property, plant and equipment		**1,293**	1,336
Right-of-use assets		**2,059**	2,593
Deferred tax assets		**484**	311
Total non-current assets		**963,336**	958,340
CURRENT ASSETS			
Trade and other receivables and prepayments	*12*	**13,587**	8,013
Cash and bank balances		**223,982**	214,908
Total current assets		**237,569**	222,921
CURRENT LIABILITIES			
Trade and other payables	*13*	**27,816**	19,175
Contract liabilities		**2,813**	888
Lease liabilities		**1,219**	1,181
Tax payable		**941**	1,402
Total current liabilities		**32,789**	22,646
NET CURRENT ASSETS		**204,780**	200,275
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,168,116**	1,158,615

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
NON-CURRENT LIABILITIES		
Lease liabilities	**847**	1,408
Deferred tax liabilities	**194,532**	191,919
Total non-current liabilities	**195,379**	193,327
NET ASSETS	**972,737**	965,288
EQUITY		
Share capital	**345,042**	345,042
Reserves	**627,695**	620,246
Total equity	**972,737**	965,288

1. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2023 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 2022.

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 2022, 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 HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform — Pillar Two Model Rules*

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

The adoption of amendments to HKAS 12 did not have any impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the interim condensed consolidated statements of cash flows for the six months ended 30 June 2023 and 2022.

(d) Amendments to HKAS 12 International Tax Reform — Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

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	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Provision of property management services	**5,905**	7,105
Revenue from other sources		
Gross rentals from investment properties	**16,217**	19,978
	22,122	27,083

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2023

	Provision of property management services (Unaudited) *RMB'000*
Timing of revenue recognition	
Services transferred over time	**5,905**

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

5. OTHER INCOME, NET

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest income from bank deposits	**3,064**	850
Net foreign exchange gain	**841**	940
Government grants*	**—**	46
Others	**82**	701
	3,987	2,537

* 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	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on a bank loan	**—**	169
Interest on lease liabilities	**23**	33
	23	202

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of services rendered*	**5,494**	6,276
Depreciation of property, plant and equipment	**73**	76
Depreciation of right-of-use assets	**596**	555
Impairment of trade receivables**	**695**	88
Auditor's remuneration	**356**	332
Employee benefit expense:		
Wages and salaries	**6,094**	5,906
Pension scheme contributions	**527**	512
	6,621	6,418

* The employee benefit expense included in cost of services rendered was RMB2,401,000 (six months ended 30 June 2022: RMB2,523,000).

** 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 2023 (six months ended 30 June 2022: 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	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current tax — the PRC		
CIT	**1,444**	1,508
Deferred tax	**2,440**	2,537
	3,884	4,045

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 2022: 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 2023, 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 RMB3,144,000 at 30 June 2023 (31 December 2022: RMB2,830,000).

9. DIVIDENDS

On 29 August 2023, the board of directors declared an interim dividend of RMB1.06 cents per ordinary share, amounting to a total of approximately RMB4,679,000 (equivalent to approximately HKD5,120,000), for the six months ended 30 June 2023. This interim dividend has not been recognised as a liability in the condensed consolidated interim financial information.

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interim dividend — RMB1.06 cents (six months ended 30 June 2022: Nil) per ordinary share	**4,679**	—

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 RMB13,321,000 (six months ended 30 June 2022: RMB12,250,000), and 441,400,000 ordinary shares (six months ended 30 June 2022: 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 2023 and 2022 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 2023 by the Group's independent valuer using the same valuation techniques as used by this valuer when carrying out the 31 December 2022 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 2023 (Unaudited) ***RMB'000***	31 December 2022 (Audited) *RMB'000*
Within 1 month	**10,332**	4,361
1 to 2 months	**—**	243
2 to 3 months	**282**	625
	10,614	5,229
Other receivables and prepayments	**2,973**	2,784
	13,587	8,013

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

13. TRADE AND OTHER PAYABLES

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
Trade payables	**559**	621
Other taxes and charges payable	**652**	401
Deposits received	**4,229**	3,777
Accrued payroll and other benefits	**617**	3,400
Rental receipt-in-advance	**12,184**	10,008
Dividend payable	**8,831**	—
Other payables	**744**	968
	27,816	19,175

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 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
Within 3 months	**19**	139
Over 3 months	**540**	482
	559	621

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	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Related parties:		
Property leasing income	**4,999**	5,003
Property management income	**153**	153
Placement of deposits	**450,417**	248,671
Withdrawal of deposits	**450,180**	238,340

(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 2023 and 2022, the Group has not utilised any facilities of the Agreement.

(c) Outstanding balances with related parties:

	30 June	31 December
	2023	2022
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Cash and cash equivalents placed with a related bank	**24,825**	24,588
Trade and other receivables and prepayments	**1,922**	1,590
Trade and other payables	**5,042**	7,294
Contract liabilities	**153**	—

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the six months ended 30 June 2023, the Group's revenue and profit attributable to equity shareholders of the Company amounted to approximately RMB22.1 million (2022: RMB27.1 million) and approximately RMB13.3 million (2022: RMB12.3 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 2023, the Group recorded a revenue of approximately RMB22.1 million (2022: RMB27.1 million), representing a decrease of approximately RMB5.0 million as compared to the same period last year, mainly due to the drop in the occupancy rate. Profit attributable to equity shareholders of the Company amounted to approximately RMB13.3 million (2022: RMB12.3 million), representing an increase of approximately RMB1.0 million as compared to the same period last year, mainly attributable to the rise in the valuation gains on investment properties. The basic earnings per share was approximately RMB0.03 (2022: RMB0.03). A review of the Group's business segments is set out below.

Property Leasing

As at 30 June 2023, 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 of approximately 89,507 (31 December 2022: 89,507) square meters. For the six months ended 30 June 2023, the Group generated rental income of approximately RMB16.2 million (2022: RMB20.0 million), representing a decrease of approximately RMB3.8 million as compared to the same period last year, mainly due to the drop in the occupancy rate. The average occupancy rate of the properties was approximately 73% (2022: 86%) during the period.

Property Management Service

The Group provided property management services for its properties, namely, Everbright Financial Center and Everbright International Mansion. During the period, revenue from the property management services was approximately RMB5.9 million (2022: RMB7.1 million), representing a decline of approximately RMB1.2 million as compared to the same period last year, mainly related to the rise in the vacancy rate of the properties.

Sale of Properties

There was no sale of property during the period ended 30 June 2023 (2022: Nil).

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 2023, the fair value of the investment properties was RMB959.5 million (31 December 2022: RMB954.1 million). For the six months ended 30 June 2023, the valuation gains on investment properties amounted to approximately RMB5.4 million (2022: RMB0.7 million), representing an increase of approximately RMB4.7 million as compared to the same period last year.

PROSPECTS

In the first half of 2023, the global economy has gradually shaken off the impact of the pandemic. However, factors such as persistent high interest rate, intensifying inflation and exchange rate fluctuations in the European and US markets, the ongoing Russia-Ukraine war and other unstable geopolitical elements continued to pose risks, hampering the overall business environment and impeding the recovery of the world economy. Despite the impact of multiple adverse factors, according to the National Bureau of Statistics of China, in the first half of 2023, the gross floor area of newly started residential projects in China amounted to approximately 363 million square meters, representing a decrease of 24.9%; the gross floor area of completed buildings amounted to approximately 339 million square meters, a year-on-year increase of 19%; and the gross floor area of completed residential properties amounted to approximately 246 million square meters, a year-on-year increase of 18.5%.

Despite the relatively subdued consumer sentiment in mainland China and the lack of significant pickup in the real estate market, the central government remained committed to driving economic growth by introducing a series of revitalization policies, which are expected to stimulate the housing and rental markets and bring a positive impact on stabilizing the growth of property management industry. Looking ahead, the real estate market is expected to continue its steady development in the medium to long term with appropriate market adjustment.

During the period under review, the Group's tenants, lease contracts, and occupancy rates have remained relatively stable. Although market fluctuations may persist in the second half of the year, we anticipate that with the stable business performance of our clients and the stability of our lease contracts, the occupancy rate has likely reached its bottom and will remain stable or gradually improve in the future, and the rental prices will also continue to stabilize.

Moreover, the rising interest rates in the global market and the general perception that the interest rate hike will persist in near future have led to market concerns about the potential pressure on the real estate sector, which in turn affects the development of the property management market. However, leveraging our abundant cash reserves and absence of debt, the Group is well-positioned to capitalize on the high interest rate environment to generate more interest income.

Given the unstable international environment, the Group maintains a cautious approach towards acquiring overseas properties. On the contrary, should opportunities arise in mainland China, the Group will consider acquisition of high-quality projects to diversify our business portfolio and generate long-term investment returns. In fact, as estimated by China Index Academy, it is expected that by 2025, there will be a demand for improved property management for nearly 30 billion square meters of buildings nationwide. Moreover, in recent years, the gross floor area of residential properties completed in Guangdong Province has accounted for approximately 8% of the total national market volume, and the Greater Bay Area holds a substantial market share in China's property management industry. With a population of 80 million people in the area, the sheer scale of the residential market is already impressive, thus presenting huge market potential when combined with the development of commercial and office spaces.

Looking ahead, although the impact of the pandemic has gradually subsided, the overall economy has yet to return to the pre-pandemic level. Therefore, the Group will remain prudent towards the business environment in the second half of the year. The Group plans to continue expanding the scale of property management services in the second half of 2023 and will pursue three key development strategies of increasing leasing activities, optimizing capital management, and exploring new investment opportunities. By increasing leasing volume and utilizing our funds prudently, we aim to achieve stable and robust investment growth.

Meanwhile, the Group will continue to leverage the synergies of China Everbright Group and the strong brand recognition of "Everbright" to enhance our brand influence and bargaining power in the capital market. We will further develop diversified value-added services to increase revenue and enhance our sustainable development capabilities. Furthermore, we will actively optimize and enhance our service quality and user experience in order to further strengthen our competitiveness and resilience, and strive to achieve long-term, stable and abundant profits for our shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, the Group's total equity was approximately RMB972.7 million (31 December 2022: RMB965.3 million). The Group maintained cash and bank balances of approximately RMB224.0 million (31 December 2022: RMB214.9 million). The Group's current assets, current liabilities and net current assets were approximately RMB237.6 million, RMB32.8 million and RMB204.8 million (31 December 2022: RMB222.9 million, RMB22.6 million and RMB200.3 million), respectively. The increase in current assets was mainly due to the rise in cash and bank balances, and the increase in current liabilities was mainly due to the growth in the dividend payable.

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 19.0% (31 December 2022: 18.3%). The slight increase is mainly due to the increment in trade and other payables. 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 2023, the Group had no charged assets (31 December 2022: Nil).

FOREIGN EXCHANGE

The Group's transactions, monetary assets and liabilities are principally denominated in Renminbi. 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 2023, the Group had no contingent liability (31 December 2022: 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 2023, the Group had used approximately RMB15.1 million (31 December 2022: RMB14.8 million) of the Net Proceeds for the purposes as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

	Net Proceeds *RMB'000*	**Amount utilised up to 31 December 2022** *RMB'000*	**Utilised during the period ended 30 June 2023** *RMB'000*	**Amount utilised up to 30 June 2023** *RMB'000*	**Unutilised Net Proceeds as at 30 June 2023** *RMB'000*	**Expected timeline for utilising the remaining Net Proceeds** *(Note)*
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 2024
Upgrade in building facilities and/or renovating the properties of the Group	11,613	7,483	295	7,778	3,835	Expected to be fully utilised on or before 31 December 2024
Working capital and general corporate purposes	11,613	4,140	—	4,140	7,473	N/A
Total	116,130	14,785	295	15,080	101,050	

Note: The expected timeline for fully utilizing the unutillised Net Proceeds is based on the best estimations of the future market conditions made by the Group and is subject to change based on the current and future development of the market condition.

As at 30 June 2023, the unutilised Net Proceeds was approximately RMB101.0 million (31 December 2022: RMB101.3 million).

As the COVID-19 pandemic gradually subsides in the second half of 2022, the travel and quarantine restrictions were gradually lifted near the end of 2022. The Group has resumed site visits and will continue conducting market research and liaising with property agents in order to acquire property in London that fit the Group's selection criteria and development strategy. Taking into account that the U.K. economy is expected to enter into recession in 2023, the time required to identify potential targets which fit the property selection criteria and development strategy of the Group and the time required to complete such acquisition, it is expected that the remaining amount of the unutilised Net Proceeds allocated for acquisition of properties in major cities of the U.K. will be fully utilised by the end of 2024.

The Group has gradually conducted renovation work on the properties to enhance its competitiveness and meet the needs of existing and potential tenants. Considering our development strategies 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 will be fully utilised by the end of 2024.

Going forward in 2023, the Directors will closely monitor the current and future market development 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 2023, the Group employed a total of 136 (2022: 138) employees and appointed 8 (2022: 8) directors. During the reporting period, total staff costs, including directors' emoluments, of the Group were approximately RMB6.6 million (2022: RMB6.4 million). The Group reviews the remuneration policies and packages on a regular basis and makes necessary adjustment commensurate with the remuneration level in the industry. In addition to a basic monthly salary, 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 emoluments of the Directors have been reviewed by the remuneration committee of the Company, having regard to the Company's operation results, market competitiveness, individual performance and achievement, and approved by the Board.

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. 44,140,000 share options were available for grant at the beginning and the end of the period ended 30 June 2023.

CORPORATE GOVERNANCE

The Board is committed to maintaining statutory and regulatory standards and adherence to the principles of corporate governance with emphasis on transparency, independence, accountability and responsibility. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of Shareholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance.

The Board has established the Group's purpose, values and strategy, and satisfy itself that these and the Group's culture are aligned. All Directors must act with integrity, lead by example, and promote the desired culture. The Board should instil such culture into the Company and continually reinforce across our Company's values of acting lawfully, ethically and responsibly.

A healthy corporate culture set up by the Group, including integrity and accountability, is vital for the Company to achieve its vision and mission towards sustainable growth. It is the Board's role to foster a corporate culture with core principles to guide the behaviours of its employees, and ensure that the Company's vision, values and business strategies are aligned to it.

The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance throughout the six months ended 30 June 2023. The Company has complied with all applicable code provisions of the CG Code set out therein, except for CG Code provision C.2.1.

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 2023.

INTERIM DIVIDEND

The Board has declared an interim dividend of RMB1.06 cents (equivalent to HK1.16 cents) per ordinary share of the Company for the six months ended 30 June 2023 (2022: Nil) to Shareholders whose names appear on the register of members of the Company on Friday, 29 September 2023. The interim dividend will be paid on or around Wednesday, 18 October 2023.

The interim 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

The register of members of the Company will be closed from Tuesday, 26 September 2023 to Friday, 29 September 2023 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all properly completed transfer documents and the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Monday, 25 September 2023.

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

During the six months ended 30 June 2023, 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 2023.

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 2023 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, 29 August 2023

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 Mr. Wang Cheung Yue as independent non-executive directors.