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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 2020

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2020, the Group's revenue and profit attributable to equity shareholders of the Company amounted to approximately RMB25.5 million (six months ended 30 June 2019: approximately RMB37.8 million) and approximately RMB13.9 million (six months ended 30 June 2019: approximately RMB18.7 million), respectively.
- For the six months ended 30 June 2020, basic earnings per share of the Group was approximately RMB0.03 (six months ended 30 June 2019: approximately RMB0.04).
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: 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 2020 together with the comparative figures for the corresponding period in 2019.

Condensed Consolidated Statement of Profit or Loss
for the six months ended 30 June 2020
(Expressed in Renminbi (“RMB”))

		Six months ended 30 June	
	<i>Notes</i>	2020	2019
		(Unaudited)	(Unaudited)
		RMB’000	RMB’000
REVENUE	4	25,493	37,772
Cost of services and sales		<u>(5,891)</u>	<u>(16,845)</u>
Gross profit		19,602	20,927
Valuation gains on investment properties		10,491	11,949
Other net income	5	1,150	1,178
Distribution costs		(216)	(169)
Administrative expenses		(10,441)	(7,069)
Other operating expenses		<u>(195)</u>	<u>(165)</u>
Profit from operations		20,391	26,651
Finance costs	6	<u>(590)</u>	<u>(738)</u>
PROFIT BEFORE TAXATION	7	19,801	25,913
Income tax	8	<u>(5,926)</u>	<u>(7,169)</u>
PROFIT FOR THE PERIOD		<u>13,875</u>	<u>18,744</u>
Attributable to:			
Equity shareholders of the Company		<u>13,875</u>	<u>18,744</u>
EARNINGS PER SHARE	10		
Basic and diluted		<u>RMB0.03</u>	<u>RMB0.04</u>

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2020

(Expressed in RMB)

		Six months ended 30 June	
	Notes	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
PROFIT FOR THE PERIOD		13,875	18,744
OTHER COMPREHENSIVE INCOME			
Other comprehensive income 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")		2,061	1,194
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Gains on property revaluation, net of tax	11	<u>6,554</u>	<u>—</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		<u>8,615</u>	<u>1,194</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>22,490</u>	<u>19,938</u>
Attributable to:			
Equity shareholders of the Company		<u>22,490</u>	<u>19,938</u>

Condensed Consolidated Statement of Financial Position

30 June 2020

(Expressed in RMB)

	<i>Notes</i>	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
NON-CURRENT ASSETS			
Investment properties	<i>11</i>	946,200	922,400
Property, plant and equipment	<i>12</i>	4,159	6,899
Deferred tax assets		1,489	1,445
Total non-current assets		951,848	930,744
CURRENT ASSETS			
Properties held for sale		—	3,719
Trade and other receivables	<i>13</i>	12,131	9,680
Cash and cash equivalents		204,012	201,258
Total current assets		216,143	214,657
CURRENT LIABILITIES			
Trade and other payables	<i>14</i>	27,488	18,603
Contract liabilities		844	934
Bank loan		6,750	6,500
Lease liabilities		1,450	1,394
Tax payable		1,332	2,952
Total current liabilities		37,864	30,383
NET CURRENT ASSETS		178,279	184,274
TOTAL ASSETS LESS CURRENT LIABILITIES		1,130,127	1,115,018

	<i>Notes</i>	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Bank loan		10,500	14,000
Lease liabilities		999	1,699
Deferred tax liabilities		185,143	179,373
		<hr/>	<hr/>
Total non-current liabilities		196,642	195,072
		<hr/>	<hr/>
NET ASSETS			
		933,485	919,946
		<hr/>	<hr/>
EQUITY			
Share capital	<i>15</i>	345,042	345,042
Reserves		588,443	574,904
		<hr/>	<hr/>
Total equity		933,485	919,946
		<hr/>	<hr/>

Notes to condensed consolidated interim financial information

(Expressed in RMB unless otherwise indicated)

1. Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2020 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 financial statements for the year ended 31 December 2019.

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 2019, 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	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

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

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

- (c) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's condensed consolidated interim financial information.

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

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

4. Revenue

An analysis of revenue is as follows:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
<i>Revenue from contracts with customers</i>		
Provision of property management services	6,888	7,635
Sales of properties held for sale	<u>—</u>	<u>10,140</u>
	6,888	17,775
<i>Revenue from other sources</i>		
Gross rentals from investment properties	<u>18,605</u>	<u>19,997</u>
	<u>25,493</u>	<u>37,772</u>

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2020

	Provision of property management services (Unaudited) RMB'000	Sales of properties held for sale (Unaudited) RMB'000
Timing of revenue recognition		
Services transferred over time	<u>6,888</u>	<u>—</u>
Total revenue from contracts with customers	<u>6,888</u>	<u>—</u>

For the six months ended 30 June 2019

	Provision of property management services (Unaudited) <i>RMB'000</i>	Sales of properties held for sale (Unaudited) <i>RMB'000</i>
Timing of revenue recognition		
Goods transferred at a point of time	—	10,140
Services transferred over time	7,635	—
	<u>7,635</u>	<u>—</u>
Total revenue from contracts with customers	<u><u>7,635</u></u>	<u><u>10,140</u></u>

5. Other net income

An analysis of other net income is as follows:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income from bank deposits	1,803	1,085
Net foreign exchange losses	(1,499)	(185)
Others	846	278
	<u><u>1,150</u></u>	<u><u>1,178</u></u>

6. Finance costs

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Interest on bank loans	533	686
Interest on lease liabilities	57	52
	<u>590</u>	<u>738</u>

7. Profit before taxation

The Group's profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Cost of services rendered	5,891	6,656
Cost of properties held for sale sold	—	10,189
Depreciation of property, plant and equipment	157	83
Depreciation of right-of-use assets	710	452
Impairment of trade and other receivables*	174	141
Write-off of item of property, plant and equipment	3	—
Auditor's remuneration	362	352
Employee benefit expense:		
Wages and salaries	6,029	6,468
Pension scheme contributions	138	693
	<u>6,167</u>	<u>7,161</u>

* The impairment of trade and other 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 2020 (six months ended 30 June 2019: 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	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Current tax — the PRC		
Corporate Income Tax (“CIT”)	2,385	2,568
Land Appreciation Tax (“LAT”)	—	731
Deferred tax	3,541	2,499
Withholding tax	—	1,371
	<u>5,926</u>	<u>7,169</u>

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

Pursuant to “Notice on Implementation of Inclusive Tax Relief Policy for Small Low-profit Enterprises Cai Shui (2019) No. 13”, Chengdu Everbright Property Management Co., Ltd. falls within the eligible industry category and is eligible to enjoy the preferential income tax rate of 5% (a reduced rate of 25% as taxable income amount, and be subject to enterprise income tax at 20% tax rate when income does not exceed RMB1,000,000) and 10% (a reduced rate of 50% as taxable income amount, and be subject to enterprise income tax at 20% tax rate when income exceeds RMB1,000,000 but does not exceed RMB3,000,000) for the six months ended 30 June 2020 (six months ended 30 June 2019: 15%, according to “Announcement of the State Administration of Taxation on Issues Relating to Enterprise Income Tax Pertaining to Implementation of the Catalogue of Encouraged Industries in Western Region”).

Tax for other entities of the Group is charged at their respective applicable income tax rate 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 2019: 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 2020, 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 with a maximum exposure of RMB3,309,000 as at 30 June 2020 (31 December 2019: RMB2,542,000).

9. Dividends

No payment of interim dividend for the six months ended 30 June 2020 is recommended (six months ended 30 June 2019: Nil).

10. Earnings per share

The calculation of the basic earnings per share amount is based on the profit for the period attributable to equity shareholders of the Company of RMB13,875,000 (six months ended 30 June 2019: RMB18,744,000), and the weighted average number of ordinary shares of 441,400,000 (six months ended 30 June 2019: 441,400,000) shares in issue during the period.

No adjustment has been made to the basic earnings per share presented for six months ended 30 June 2020 and 30 June 2019 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 2020 by the Group's independent valuer using the same valuation techniques as were used by this valuer when carrying out the 31 December 2019 valuations.

During the six months ended 30 June 2020, certain portion of a property with net carrying value of RMB1,761,000 was transferred from property, plant and equipment to investment properties at the date of transfer. The difference between the fair value of the property and the carrying value at the date of transfer of RMB8,739,000, and deferred tax of RMB2,185,000 thereon were recognised in fair value reserve.

During the six months ended 30 June 2020, properties with total carrying value of RMB3,719,000 were transferred from properties held for sale to investment properties at the date of transfer. The difference between the fair values of the properties and the carrying values at the date of transfer of RMB11,481,000, and deferred tax of RMB2,870,000 thereon were recognised in profit or loss.

12. Property, plant and equipment

During the six months ended 30 June 2020, the Group acquired assets with a cost of RMB23,000 (30 June 2019: RMB1,606,000).

An asset with a net book value of RMB3,000 was written off by the Group during the six months ended 30 June 2020 (30 June 2019: Nil).

13. Trade and other receivables

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

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Within 1 month	4,736	2,844
1 to 2 months	1,111	546
2 to 3 months	1,256	554
Over 3 months	2,888	—
	<hr/>	<hr/>
Other receivables	9,991	3,944
	2,140	5,736
	<hr/>	<hr/>
	12,131	9,680

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

14. Trade and other payables

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Trade payable	591	521
Interest payable	33	38
Other taxes and charges payable	1,298	1,059
Deposits	5,941	5,862
Accrued payroll and other benefits	537	3,914
Listing expenses payable	598	586
Receipt-in-advance	8,016	3,414
Dividend payable	8,951	—
Other payables	1,523	3,209
	<u>27,488</u>	<u>18,603</u>

Included in “Trade and other payables” are trade payables with the following ageing analysis based on the invoice date as at the end of the reporting period:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Within 3 months	—	222
Over 3 months	591	299
	<u>591</u>	<u>521</u>

15. Share capital

The share capital as at 30 June 2020 and 31 December 2019 represented the issued capital of the Company and a summary of the authorised and issued share capital of the Company is as follows:

	30 June 2020 (Unaudited) US\$'000	31 December 2019 (Audited) US\$'000
Authorised:		
4,000,000,000 ordinary shares of US\$0.1 each	<u>400,000</u>	<u>400,000</u>
	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Issued and fully paid:		
441,400,000 ordinary shares	<u>345,042</u>	<u>345,042</u>

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

16. 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	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Related parties:		
Property leasing income	3,535	3,169
Placement of deposits	12,920	305,239
Withdrawal of deposits	33,740	317,281

- (b) Other transactions with related parties:

Pursuant to the loan framework agreement with China Everbright Bank Co., Ltd. Hong Kong Branch which was effective up to 31 December 2019, the undrawn banking facilities of the Group amounted to HK\$300,000,000 (equivalent to RMB268,734,000) as at 31 December 2019.

- (c) Outstanding balances with related parties:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
	Cash and cash equivalents	1,188
Trade and other payables	3,712	463

17. Events after the reporting period

On 2 July 2020, the Group entered into separate sale and purchase agreements with three independent third parties to dispose of three residential properties which were classified as investment properties as at 30 June 2020 and located at Dufu Garden, 10 Zu, 11 Zu, Long Zhua Cun, Wu Hou District, Chengdu, Sichuan Province in the PRC with carrying value of RMB23,700,000 in aggregate as at 30 June 2020. The consideration was approximately RMB27,268,000 in aggregate. The transactions are expected to be completed in the ensuing six months.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the six months ended 30 June 2020, the Group's revenue and profit attributable to equity shareholders of the Company amounted to approximately RMB25.5 million (six months ended 30 June 2019: approximately RMB37.8 million) and approximately RMB13.9 million (six months ended 30 June 2019: approximately RMB18.7 million), respectively.

BUSINESS REVIEW

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

The Group's revenue for the six months ended 30 June 2020 amounted to approximately RMB25.5 million (six months ended 30 June 2019: approximately RMB37.8 million), which represented a decrease of approximately RMB12.3 million as compared to the corresponding period of last year. The fall in revenue was mainly due to no sale of property in the first half of 2020 (six months ended 30 June 2019: revenue from the sale of property was RMB10.1 million). Profit attributable to equity shareholders of the Company for the six months ended 30 June 2020 was approximately RMB13.9 million (six months ended 30 June 2019: approximately RMB18.7 million). The decline in profit was caused by the shrinkage in gross profit, a decrease in valuation gains on investment properties and an increase in administrative expenses. The basic earnings per share for the six months ended 30 June 2020 was approximately RMB0.03 as compared to basic earnings per share of approximately RMB0.04 for the corresponding period of last year. Review of the individual business segments of the Group is set out below.

Property Leasing

The Group's leasing properties are located in Chengdu, Sichuan Province and Kunming, Yunnan Province in the PRC. 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 89,507 (31 December 2019: 88,529) sq.m., and residential properties, namely part of Dufu Garden, with a total GFA of approximately 1,319 (31 December 2019: 440) sq.m. As at 30 June 2020, the Group's commercial properties portfolio's occupancy rate was approximately 83% and the residential properties portfolio was fully let. The rental income generated from the Group's properties was approximately RMB18.6 million for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB20.0 million). Rental income recorded a fall as individual tenants moved out after their tenancy agreements expired.

Property Management Service

In order to maximize the value of the Group's properties, it 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 property management services was approximately RMB6.9 million for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB7.6 million). During this period, due to the rise in vacancy rate resulting from the expiration of tenancy agreements of individual tenants, income from property management services decreased.

Sales of Properties

There was no sale of property during the period ended 30 June 2020 (six months ended 30 June 2019: RMB10.1 million).

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 2020, the fair value of the investment properties was RMB946.2 million (31 December 2019: RMB922.4 million). The valuation gains on investment properties for the six months ended 30 June 2020 amounted to approximately RMB10.5 million (six months ended 30 June 2019: approximately RMB11.9 million), representing a decrease of approximately RMB1.4 million as compared to the corresponding period of last year.

PROSPECTS

Looking forward to the second half of 2020, operations of major global economies will gradually rebound. While actively fighting against the Coronavirus Disease 2019 (“**COVID-19**”) pandemic, many countries have introduced large-scale monetary and fiscal policies in the first half of the year with a view to stabilizing the financial market, resulting in a gradual resumption of economic activities since mid-April. However, the COVID-19 pandemic may last for an extended period of time until vaccines are developed and extensively produced. Thus, it is still uncertain as to whether the economic policies introduced by various countries will exert a long-term effect.

The COVID-19 outbreak and other factors led to increased tension between the world's two largest economies. The United States (“**U.S.**”) presidential election will be held in November this year, the U.S. government is likely to adopt fierce and combative policies against China, through the use of strong wording and strengthen the regulatory measures in terms of technology and capital flow, which are expected to have some unpredictable negative impacts on the stability of China's economic fundamentals.

With the gradual recovery of economic activities in China since March 2020, demand for real estate and property management services has witnessed a steady rise. Property construction and sales activities have slowly resumed to normal levels although they were delayed to some extent. In the long run, the outbreak of COVID-19 pandemic is expected to have a limited impact on the property management industry in China.

At the initial stage of the battle against the COVID-19 pandemic, the local government authorities of Kunming, Yunnan Province and Chengdu, Sichuan Province, where the Company's properties are located, decisively adopted effective prevention measures to control the number of new infections. The authorities have achieved remarkable results in the resumption of work and production in enterprises and promotion of urban infrastructure construction. The management team and all business units of the Group have strictly complied with the relevant requirements of local government authorities, formulated epidemic prevention guidelines, prepared for emergency, given effect to the policies, managed details, paid close attention to environmental sanitation and disinfection, and conducted extensive publicity and temperature monitoring at entrance and exit, in an effort to protect the health of the general public, which have been well recognized by local governments and proprietors.

To cope with the impact of the macro-economy on the property management business, the Group flexibly adjusted its existing commercial leasing strategies to reduce the risk of immediate rental termination, safeguard the long-term interests of tenants to help them tide through difficult times, and maintain a good brand image to keep stable and long-term cooperative relationships. The Group demonstrated its outstanding risk management capabilities in this public health emergency. Its professional and considerate service quality has been recognized by long-term customers, which enabled the Group to maintain a strong and stable relationship and at the same time attract new customers, thus allowing the Group to expand its source of sustainable income and increase occupancy rate and profitability.

Looking to the future, the COVID-19 pandemic will be further controlled effectively in China. As a result, China will take the lead in economic recovery, and its relative advantages compared to other countries across the world will be further enhanced, giving special stability to China's economy. The Group will continue to cooperate with anti-epidemic measures adopted by the local government authorities, implement epidemic containment work, improve its property management standard and market competitiveness, create new customer channels, and control cost-effective ratios. At the same time, the Group will maintain a rational property investment strategy, continue to identify commercial buildings with long-term growth potential and rental value, and seize opportunities to expand the property management market. The Group has sufficient resources in terms of capital and capability to capture opportunities and overcome challenges, and protect the long-term interests of its shareholders as a whole.

LIQUIDITY AND FINANCIAL RESOURCES

The total equity of the Group as at 30 June 2020 was approximately RMB933.5 million (31 December 2019: approximately RMB919.9 million). As at 30 June 2020, the Group maintained cash and cash equivalents of approximately RMB204.0 million (31 December 2019: approximately RMB201.3 million). The Group's net current assets was approximately RMB178.3 million as at 30 June 2020 (31 December 2019: approximately RMB184.3 million). As at 30 June 2020, the Group had current assets of approximately RMB216.1 million (31 December 2019: approximately RMB214.7 million), and current liabilities of approximately RMB37.9 million (31 December 2019: approximately RMB30.4 million). The increase in current liabilities was mainly due to the increase in receipts-in-advance and dividend payable, which were included in the trade and other payables in the condensed consolidated statement of financial position.

The Group generally finances its operations with internally generated cash flow and bank loan in the PRC. The Group borrowed a long-term bank loan (“**Bank Loan**”) of RMB73.0 million from Bank of China Limited in 2010. The Bank Loan is at floating rates, repayable by instalments and shall be matured on 29 June 2022. As at 30 June 2020, the Group had outstanding bank loan of approximately RMB17.3 million (31 December 2019: approximately RMB20.5 million).

The Group's gearing ratio is measured by the Bank Loan divided by total equity and multiplied by 100%. As at 30 June 2020, the Group's gearing ratio was 1.8% (31 December 2019: 2.2%). The Group has implemented certain policies on financing, which include close monitoring of the gearing ratio and fluctuation in interest rates.

The working capital and long-term funding 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 the reporting period.

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 interest rate and foreign exchange rates. The Group's management also monitors its net current assets/liabilities and the utilization of borrowings to ensure efficient use of the available banking facilities and compliance with the loan covenants.

FOREIGN EXCHANGE EXPOSURE

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 rates during the reporting period. Therefore, the Group did not engage in any hedging activities.

CONTINGENT LIABILITY

At as 30 June 2020, the Group had no contingent liability (31 December 2019: Nil).

PLEDGE OF ASSETS

The Bank Loan was secured by Everbright International Mansion with an aggregate GFA of approximately 38,082 sq.m (31 December 2019: 38,082 sq.m). As at 30 June 2020, the fair value of the pledged assets amounted to approximately RMB354.6 million (31 December 2019: approximately RMB354.8 million).

USE OF NET PROCEEDS FROM THE LISTING

The net proceeds from the global offering on 16 January 2018 (“**Listing Date**”) after deducting share issuance expenses and listing expenses (“**Net Proceeds**”) was approximately RMB116.1 million. As at 30 June 2020, the Group had used approximately RMB12.5 million of the Net Proceeds for the purposes as set out in the prospectus of the Company dated 29 December 2017 (the “**Prospectus**”).

		Amount utilised as at	Amount unutilised as at
	Net Proceeds	30 June 2020	30 June 2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Acquisition of Properties in major cities of the United Kingdom (“ U.K. ”)	92,904	3,207	89,697
Renovation of the Group’s properties	11,613	5,154	6,459
General corporate and working capital	11,613	4,140	7,473
	<u>116,130</u>	<u>12,501</u>	<u>103,629</u>
Total	<u>116,130</u>	<u>12,501</u>	<u>103,629</u>

During the reporting period, the Group has carried out market research and liaised with property agents to acquire properties that fit the Group’s selection criteria or development strategies. The Group had conducted site visits on a number of properties in London and was in negotiations of their acquisitions. Due to the uncertainty in the U.K. market, the acquisition did not materialize. The Group continues to believe investments in the U.K. would generate stable and favourable rate of return and will look for investment opportunities in U.K. commercial properties to broaden the Group’s 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 the needs of existing and potential tenants, minimize disruption to the existing tenants, maintain as well as 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 its business objective 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 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.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2020, the Group employed a total of 141 employees (as at 30 June 2019: 136 employees) and appointed 8 Directors (as at 30 June 2019: 8 Directors). Total staff costs, including Directors' emoluments, of the Group were approximately RMB6.2 million (six months ended 30 June 2019: RMB7.2 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 provides other benefits such as medical insurance and mandatory provident fund scheme to employees in Hong Kong. Save for the existing Share Option Scheme (as defined below), no share option scheme has been adopted during the period.

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

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

SHARE OPTION SCHEME

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

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

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

CORPORATE GOVERNANCE

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

The Company has adopted the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) contained in Appendix 14 to the Listing Rules as its own code of corporate governance since the Listing Date. The Company has complied with all applicable code provisions of the CG Code set out therein, except for CG Code provision A.2.1, throughout the six months ended 30 June 2020.

Pursuant to CG Code provision A.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**”) acted as both the chairman and the CEO since the Listing Date, and accordingly, there is no written terms setting out the division of responsibilities between the chairman and chief executive. Since Mr. Liu has a wealth of experience in real estate investment, operations and investment projects and has been working for various subsidiaries of China Everbright Group since 1991, our Directors consider that vesting the roles of the chairman of the Board and the CEO of the Company in Mr. Liu is beneficial to the management and business development of the Group and will provide strong and consistent leadership to the Group.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**the Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the Directors’ securities transactions. Having made specific enquiries to the Directors, all Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2020.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

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

During the six months ended 30 June 2020, 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 comprises three members, namely Mr. Tsoi David, an independent non-executive Director, Mr. Shek Lai Him Abraham, an independent non-executive Director and Mr. Li Yinzong, a non-executive Director. Mr. Tsoi David is the chairman of the Audit Committee. The principal duties of the Audit Committee include, among others, the review of the Group's financial reporting procedures, risk management, internal controls and results.

The Audit Committee has reviewed the unaudited interim results for the six months ended 30 June 2020 and agreed to the accounting principles and practices adopted by the Group.

The interim financial results are unaudited, but have been reviewed by Ernst & Young, 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 ("HKICPA"), 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").

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.ebgca.com.hk. The interim report of the Company for the six months ended 30 June 2020 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, 28 August 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 Yinzong 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.