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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 2021

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2021, the Group's revenue and profit attributable to equity shareholders of the Company amounted to approximately RMB25.2 million (six months ended 30 June 2020: approximately RMB25.5 million) and approximately RMB16.5 million (six months ended 30 June 2020: approximately RMB13.9 million), respectively.
- For the six months ended 30 June 2021, basic earnings per share of the Group was approximately RMB0.04 (six months ended 30 June 2020: approximately RMB0.03).
- Interim dividend of RMB0.86 cents (equivalent to HK1.03 cents) per ordinary share for the six months ended 30 June 2021 (six months ended 30 June 2020: 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 2021 together with the comparative figures for the corresponding period in 2020. 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 2021

	Notes	Six months ended 30 June	
		2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
REVENUE	4	25,162	25,493
Cost of services		<u>(5,900)</u>	<u>(5,891)</u>
Gross profit		19,262	19,602
Valuation gains on investment properties		9,574	10,491
Other income, net	5	2,412	1,150
Distribution costs		(603)	(216)
Administrative expenses		(7,299)	(10,441)
Other operating expenses		<u>(452)</u>	<u>(195)</u>
Profit from operations		22,894	20,391
Finance costs	6	<u>(381)</u>	<u>(590)</u>
PROFIT BEFORE TAX	7	22,513	19,801
Income tax	8	<u>(5,980)</u>	<u>(5,926)</u>
PROFIT FOR THE PERIOD		<u>16,533</u>	<u>13,875</u>
Attributable to:			
Equity shareholders of the Company		<u>16,533</u>	<u>13,875</u>
EARNINGS PER SHARE			
Basic and diluted	10	<u>RMB0.04</u>	<u>RMB0.03</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	Notes	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	16,533	13,875
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")	(3,134)	2,061
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Gains on property revaluation, net of tax	11 <u> —</u>	<u>6,554</u>
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX	<u>(3,134)</u>	<u>8,615</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>13,399</u>	<u>22,490</u>
Attributable to:		
Equity shareholders of the Company	<u>13,399</u>	<u>22,490</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	<i>Notes</i>	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NON-CURRENT ASSETS			
Investment properties	<i>11</i>	943,100	933,300
Property, plant and equipment		1,479	1,647
Right-of-use assets		869	1,539
Deferred tax assets		1,557	1,448
Total non-current assets		947,005	937,934
CURRENT ASSETS			
Trade and other receivables and prepayments	<i>12</i>	10,309	8,061
Cash and cash equivalents		208,383	217,766
Total current assets		218,692	225,827
CURRENT LIABILITIES			
Trade and other payables	<i>13</i>	30,707	23,240
Contract liabilities		2,220	1,066
Bank loan		10,500	7,000
Lease liabilities		910	1,363
Tax payable		1,241	5,397
Total current liabilities		45,578	38,066
NET CURRENT ASSETS		173,114	187,761
TOTAL ASSETS LESS CURRENT LIABILITIES		1,120,119	1,125,695

	<i>Notes</i>	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Bank loan		–	7,000
Lease liabilities		–	232
Deferred tax liabilities		<u>187,173</u>	<u>183,820</u>
Total non-current liabilities		<u>187,173</u>	<u>191,052</u>
NET ASSETS		<u>932,946</u>	<u>934,643</u>
EQUITY			
Share capital		345,042	345,042
Reserves		<u>587,904</u>	<u>589,601</u>
Total equity		<u>932,946</u>	<u>934,643</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2021

1. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2021 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 2020.

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 2020, 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 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform – Phase 2

COVID-19-Related Rent Concessions

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

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had bank loan denominated in RMB based on the RMB Loan Prime Rate published by National Interbank Funding Centre as at 30 June 2021. Since the interest rate of this borrowing was not replaced by RFR during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rate of this borrowing is replaced by RFR in a future period, the Group will apply this practical expedient upon the modification of this borrowing when the “economically equivalent” criterion is met.

- (b) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Coronavirus Disease 2019 (“COVID-19”) pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

3. OPERATING SEGMENT INFORMATION

The Directors 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	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB’000	RMB’000
<i>Revenue from contracts with customers</i>		
Provision of property management services	7,355	6,888
<i>Revenue from other sources</i>		
Gross rentals from investment properties	<u>17,807</u>	<u>18,605</u>
	<u>25,162</u>	<u>25,493</u>

Disaggregated revenue information for revenue from contracts with customers

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

For the six months ended 30 June 2020

**Provision
of property
management
services
(Unaudited)
RMB'000**

Timing of revenue recognition

Services transferred over time

6,888

5. OTHER INCOME, NET

An analysis of other income, net is as follows:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest income from bank deposits	705	1,803
Net foreign exchange gains/(losses)	1,669	(1,499)
Others	38	846
	<u>2,412</u>	<u>1,150</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on a bank loan	355	533
Interest on lease liabilities	26	57
	<u>381</u>	<u>590</u>

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of services rendered*	5,900	5,891
Depreciation of property, plant and equipment	75	157
Depreciation of right-of-use assets	660	710
Impairment of trade and other receivables**	435	174
Write-off of item of property, plant and equipment	3	3
Gain on disposal of item of property, plant and equipment	(17)	–
Auditor's remuneration	334	362
Employee benefit expense:		
Wages and salaries	6,031	6,029
Pension scheme contributions	519	138
	<u>6,550</u>	<u>6,167</u>

* The employee benefit expense included in cost of services rendered was RMB2,524,000 (six months ended 30 June 2020: RMB2,238,000).

** 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 2021 (six months ended 30 June 2020: 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	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Current tax – the PRC		
Corporate Income Tax (“CIT”)	2,736	2,385
Deferred tax	3,244	3,541
	<u>5,980</u>	<u>5,926</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% 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 10% (a reduced rate of 50% 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 2021 and 2020.

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% (six months ended 30 June 2020: 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 2021, 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 RMB1,852,000 at 30 June 2021 (31 December 2020: RMB1,533,000).

9. DIVIDENDS

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interim dividend – RMB0.86 cents (six months ended 30 June 2020: Nil) per ordinary share	<u>3,796</u>	<u>–</u>

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. This interim dividend has not been recognised as a liability in the condensed consolidated interim financial information.

10. EARNINGS PER SHARE

The calculation of basic earnings per share amount is based on the profit for the period attributable to equity shareholders of the Company of RMB16,533,000 (six months ended 30 June 2020: RMB13,875,000), and the weighted average number of ordinary shares of 441,400,000 (six months ended 30 June 2020: 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 2021 and 2020 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 2021 by the Group's independent valuer using the same valuation techniques as used by this valuer when carrying out the 31 December 2020 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. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Within 1 month	8,790	6,042
1 to 2 months	–	159
2 to 3 months	–	188
Over 3 months	<u>7</u>	<u>–</u>
	8,797	6,389
Other receivables and prepayments	<u>1,512</u>	<u>1,672</u>
	<u>10,309</u>	<u>8,061</u>

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

13. TRADE AND OTHER PAYABLES

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Trade payable	571	1,321
Interest payable	25	31
Other taxes and charges payable	665	555
Deposits received	5,483	5,594
Accrued payroll and other benefits	2,284	3,157
Listing expenses payable	544	551
Rental receipt-in-advance	11,356	9,773
Dividend payable	8,475	–
Other payables	<u>1,304</u>	<u>2,258</u>
	<u>30,707</u>	<u>23,240</u>

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 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Within 3 months	10	972
Over 3 months	561	349
	571	1,321

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	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Related parties:		
Property leasing income	4,572	3,535
Property management income	153	–
Placement of deposits	42,421	12,920
Withdrawal of deposits	37,525	33,740

- (b) Other transactions with related parties:

Pursuant to the loan framework agreement with China Everbright Group Limited (“**China Everbright Group**”) which was effective up to 31 December 2024, the undrawn banking facilities of the Group amounted to RMB350,000,000 as at 30 June 2021.

- (c) Outstanding balances with related parties:

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Cash and cash equivalents placed with a related bank	23,836	18,940
Trade and other receivables and prepayments	267	–
Trade and other payables	4,702	6,870
Contract liabilities	153	–

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the six months ended 30 June 2021, the Group's revenue and profit attributable to equity shareholders of the Company amounted to approximately RMB25.2 million (2020: RMB25.5 million) and approximately RMB16.5 million (2020: RMB13.9 million), respectively.

BUSINESS REVIEW

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

For the six months ended 30 June 2021, the Group recorded a revenue of approximately RMB25.2 million (2020: RMB25.5 million), representing a decrease of approximately RMB0.3 million as compared to the same period last year, mainly due to the decline in the average rent per square meter (“sq.m.”). Profit attributable to equity shareholders of the Company amounted to approximately RMB16.5 million (2020: RMB13.9 million), representing an increase of approximately RMB2.6 million as compared to the same period last year, mainly attributable to the growth in other income and drop in administrative expenses. The basic earnings per share was approximately RMB0.04 (2020: RMB0.03). A review of the Group's business segments is set out below.

Property Leasing

As at 30 June 2021, 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 2020: 89,507) sq.m. For the six months ended 30 June 2021, the average occupancy rate of the properties was approximately 84% (2020: 83%). During the period, the Group generated rental income of approximately RMB17.8 million (2020: RMB18.6 million), representing a decrease of approximately RMB0.8 million as compared to the same period last year, mainly due to the decline in the average rent per sq.m.

Property Management Service

The Group has a professional property management team to provide management services to Everbright Financial Center and Everbright International Mansion, so as to maximize the value of the properties. During the period, revenue from the property management services was approximately RMB7.4 million (2020: RMB6.9 million), representing an increase of approximately RMB0.5 million as compared to the same period last year, mainly due to the rise in the occupancy rate.

Sales of Properties

There was no sale of property during the period ended 30 June 2021 (six months ended 30 June 2020: 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 2021, the fair value of the investment properties was RMB943.1 million (31 December 2020: RMB933.3 million). For the six months ended 30 June 2021, the valuation gains on investment properties amounted to approximately RMB9.6 million (2020: RMB10.5 million), representing a decrease of approximately RMB0.9 million as compared to the same period last year.

PROSPECTS

China's economic activity has started to resume a positive growth trend in the post-pandemic era. Looking ahead to the second half of 2021, with the implementation of the "14th Five-Year Plan", the monetary easing policy, and the gradual recovery of the post-pandemic market, China's economy is estimated to follow the rebound trend started in the second half of last year, with expectations of production demand continuing to rise, a strong recovery in consumption, a recovery in investment in the property management sector and steady business growth. As vaccination rate around the globe continues to accelerate, and the global pandemic shows signs of easing, China, as one of the core global economies, will play a key role and is expected to lead an orderly economic expansion with other countries in the second half of the year.

2021 is the time when the property management industry steps into a high-quality development era. To support the prevention and control efforts of the National Health Commission, the property management industry stood on the front line of guarding customers against the pandemic in last year, and the value of property services was gradually recognized by the government and the general public. Currently, the size of the property management industry in China has exceeded RMB1.2 trillion and according to the National Bureau of Statistics, RMB7,217.9 billion was invested on the real estate development in China in the first half of 2021, representing year-on-year growth of 15.0%. The Group will seize every opportunity to develop new businesses while maintaining its existing core customer base by providing high-quality services. The area of property under management has been increasing. From a macro perspective, the property management industry has received positive support from a number of major policies in recent years: at the beginning of the first half of the year, ten ministries including the Ministry of Housing and Urban-Rural Development and the Committee of Political and Legal Affairs of the Communist Party of China Central Committee jointly issued the "Notice on Strengthening and Improving Residential Property Management", which expanded the business scope of property enterprises and encouraged the accelerated development of property services to strengthen the improvement of quality and effectiveness of property management in the industry. With relevant favourable policies benefiting the property management industry and the expanding market size, we will

foresee the property management industry be continuously driven towards high-quality and diversified upgrades in the second half of the year, and the revenue of property management companies is expected to rise significantly in the long run.

In terms of property leasing, the Group has maintained its long-term cooperation with Everbright Group to promote stable future growth of the leasing business. The Group flexibly adjusted its rental strategy during the pandemic to maintain customer cooperation and tide over the difficult times together. With the further recovery of business activities, coupled with the brand strength of Everbright and our high-quality property management services, it is expected that the bargaining power of the Group's leasing business will continue to improve. The industry is recovering steadily along with the general economy, and rental unit prices are expected to gradually return to the robust position prior to the pandemic. In terms of the current development of the industry, the profits brought by purchasing real property is steadily increasing. As such, the Group will actively explore opportunities to acquire domestic commercial properties with investment potential in the second half of the year with a view to generating long-term investment returns.

Looking forward, as the value of property services enhances, the demand of the general public for quality property management services will continue to rise. The channels of property management services are gradually diversifying, and various new services, including e-services, public space, and other value-added services, have potential for development. With the continuous improvement of the domestic property service system and the rapid emergence of outstanding property management brands, the growth of demand will be more reflected in boosting domestic production. As we strive to expand our business scale, we will also continue to develop high-standard and standardized property services, capture market opportunities and expand our long-term investment income base in order to further enhance the brand image and overall scale, improve the Group's competitiveness in the industry, and support the sustainable development model. We will continue to provide excellent property services to the community and contribute to the development of diversified property services in China.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2021, the Group's total equity was approximately RMB932.9 million (31 December 2020: RMB934.6 million). The Group maintained cash and cash equivalents of approximately RMB208.4 million (31 December 2020: RMB217.8 million). The Group's current assets, current liabilities and net current assets were approximately RMB218.7 million, RMB45.6 million and RMB173.1 million (31 December 2020: RMB225.8 million, RMB38.0 million and RMB187.8 million), respectively. The increase in current liabilities was mainly due to the increase in dividend payable during the period.

The working capital and long-term funding required by the Group are primarily derived from income generated from core business operations and bank loan. As at 30 June 2021, the Group had an outstanding bank loan, which was secured by its investment properties, of approximately RMB10.5 million (31 December 2020: RMB14.0 million). The bank loan is at floating rate, repayable by instalments and shall be matured on 29 June 2022. The Group's gearing ratio, being measured by the Group's total liabilities over its total assets, was 20% (31 December 2020: 20%). The Group's liquidity position was well-managed in the reporting period.

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

The outstanding bank loan of RMB10.5 million (31 December 2020: RMB14.0 million) was secured by Everbright International Mansion with an aggregate GFA of approximately 38,082 sq.m. As at 30 June 2021, the fair value of the pledged assets amounted to approximately RMB364.5 million (31 December 2020: RMB361.4 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 2021, the Group had no contingent liability (31 December 2020: 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 2021, the Group had used approximately RMB12.7 million (31 December 2020: RMB12.6 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**”).

		Amount utilised up to 31 December 2020	Utilised during the period ended 30 June 2021	Amount utilised up to 30 June 2021	Unutilised Net Proceeds as at 30 June 2021	Expected timeline for utilising the remaining Net Proceeds (Note)
	Net Proceeds 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 2022
Upgrade in building facilities and/or renovating the properties of the Group	11,613	5,249	182	5,431	6,182	Expected to be fully utilised on or before 31 December 2022
Working capital and general corporate purposes	11,613	4,140	–	4,140	7,473	N/A
	<u>116,130</u>	<u>12,551</u>	<u>182</u>	<u>12,733</u>	<u>103,397</u>	
Total						

Note: The expected timeline for utilising the remaining Net Proceeds is prepared based on the assumption of a continuing recovery from the effects of the outbreak of COVID-19 and taking into account, of 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 2021, the unutilised Net Proceeds was approximately RMB103.4 million (31 December 2020: RMB103.6 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 national lockdown in the U.K. Despite the U.K. government has lifted COVID-19 restrictions in July 2021, the outbreak of COVID-19 is yet to be under control in the U.K. with the soaring number of new cases. The Group is closely monitoring the situation in the U.K. and will continue with its site visits, market research and liaise with property agents to acquire properties that fit the Group’s selection criteria or development strategies.

The Group has been implementing its renovation plan on Everbright International Mansion and Everbright Financial Center since late 2017 and will continue to make necessary upgrades and improvements to the Group's buildings to maintain competitiveness in the market, maintain and further improve their occupancy rates and increase their average rent. During the reporting period, the Group utilised part of the Net Proceeds on making improvements to its properties with a view to improve the average rent per sq.m. The Group expects to fully utilise the remaining amount allocated for upgrading building facilities and/or renovating the properties of the Group by the end of 2022.

Going forward in 2022, the Directors will closely monitor the development of COVID-19 and its impact on 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 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 2021, the Group employed a total of 135 (30 June 2020: 141) employees and appointed 8 (30 June 2020: 8) directors. During the reporting period, total staff costs, including directors' emoluments, of the Group were approximately RMB6.6 million (2020: RMB6.2 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.

The same remuneration policy is applicable to the fixing of Directors' remuneration. Apart from market benchmarks, the Group considers individual performance and contributions, as well as 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 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 (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as its own code of corporate governance since the Listing Date.

The Company has complied with all applicable code provisions of the CG Code set out therein, except for CG Code provision A.2.1, throughout the six months ended 30 June 2021.

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, the 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 the 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 2021.

INTERIM DIVIDEND

The Board has declared an interim dividend of RMB0.86 cents (equivalent to HK1.03 cents) (2020: Nil) per share for the six months ended 30 June 2021 to Shareholders whose names appear on the register of members of the Company on Thursday, 30 September 2021. The interim dividend will be paid on or around Wednesday, 20 October 2021.

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 Monday, 27 September 2021 to Thursday, 30 September 2021 (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 Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on Friday, 24 September 2021.

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

During the six months ended 30 June 2021, 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 2021.

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 2021 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, 26 August 2021

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.