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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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the “**Board**”) of directors (the “**Director(s)**”) of Everbright Grand China Assets Limited (the “**Company**”) is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 together with the comparative figures for the year ended 31 December 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

		2021	2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
REVENUE	4	52,678	51,734
Cost of services and sales		<u>(13,066)</u>	<u>(12,415)</u>
Gross profit		39,612	39,319
Valuation gains on investment properties		17,549	17,229
Other income, net	5	5,858	12,363
Distribution costs		(1,788)	(1,263)
Administrative expenses		(16,595)	(20,860)
Other operating expenses		<u>(325)</u>	<u>(13)</u>
Profit from operations		44,311	46,775
Finance costs	6	<u>(669)</u>	<u>(1,076)</u>
PROFIT BEFORE TAX	7	43,642	45,699
Income tax	8	<u>(10,969)</u>	<u>(11,717)</u>
PROFIT FOR THE YEAR		<u>32,673</u>	<u>33,982</u>
Attributable to:			
Equity shareholders of the Company		<u>32,673</u>	<u>33,982</u>
EARNINGS PER SHARE			
Basic and diluted	10	<u>RMB0.07</u>	<u>RMB0.08</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
PROFIT FOR THE YEAR	<u>32,673</u>	<u>33,982</u>
OTHER COMPREHENSIVE INCOME/(EXPENSE):		
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")	(7,693)	(16,888)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation, net of tax	<u>—</u>	<u>6,554</u>
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF TAX	<u>(7,693)</u>	<u>(10,334)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>24,980</u></u>	<u><u>23,648</u></u>
Attributable to:		
Equity shareholders of the Company	<u><u>24,980</u></u>	<u><u>23,648</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
NON-CURRENT ASSETS			
Investment properties		953,700	933,300
Property, plant and equipment		1,389	1,647
Right-of-use assets		3,468	1,539
Deferred tax assets		1,530	1,448
Total non-current assets		960,087	937,934
CURRENT ASSETS			
Trade and other receivables and prepayments	<i>11</i>	3,887	8,061
Cash and cash equivalents		203,770	217,766
Total current assets		207,657	225,827
CURRENT LIABILITIES			
Trade and other payables	<i>12</i>	23,797	23,240
Contract liabilities		1,461	1,066
Bank loan		7,000	7,000
Lease liabilities		1,100	1,363
Tax payable		1,265	5,397
Total current liabilities		34,623	38,066
NET CURRENT ASSETS		173,034	187,761
TOTAL ASSETS LESS CURRENT LIABILITIES		1,133,121	1,125,695
NON-CURRENT LIABILITIES			
Bank loan		—	7,000
Lease liabilities		2,370	232
Deferred tax liabilities		190,020	183,820
Total non-current liabilities		192,390	191,052
Net assets		940,731	934,643
EQUITY			
Share capital		345,042	345,042
Reserves		595,689	589,601
Total equity		940,731	934,643

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

1. CORPORATE AND GROUP INFORMATION

Everbright Grand China Assets Limited (the “**Company**”) is a limited liability company incorporated in the British Virgin Islands (the “**BVI**”) and transferred by way of continuation into the Cayman Islands. The registered address of the Company is P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands and the principal place of business in Hong Kong is located at Room 1302, 13th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

During the year, the principal activities of the Company and its subsidiaries (collectively referred to as the “**Group**”) were property leasing, the provision of property management services and the sale of properties held for sale.

In the opinion of the directors, the immediate holding company and the ultimate holding company of the Company are Lucky Link Investments Limited and China Investment Corporation, which are incorporated in the BVI and the PRC, respectively.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>

The nature and the 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 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 interest-bearing bank borrowings denominated in RMB based on the RMB Benchmark Lending Rates for Financial Institutions by the People's Bank of China as at 31 December 2021. The Group expects that the RMB Benchmark Lending Rates for Financial Institutions by the People's Bank of China will continue to exist and the interest rate benchmark reform has not had an impact on the Group's borrowings. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that 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. The amendment did not have any impact on the financial position and performance of 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 performance.

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.

Information about major customers

For the year ended 31 December 2021, revenues of approximately RMB9,261,000 and RMB7,141,000, which represented 17.6% and 13.6% of the Group's total revenue, respectively, were derived from two separate single customers.

For the year ended 31 December 2020, revenues of approximately RMB7,044,000, RMB6,187,000, RMB5,676,000 and RMB5,534,000, which represented 13.6%, 12.0%, 11.0% and 10.7% of the Group's total revenue, respectively, were derived from four separate single customers.

4. REVENUE

An analysis of revenue is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<i>Revenue from contracts with customers</i>		
Provision of property management services	15,419	14,997
<i>Revenue from other sources</i>		
Gross rentals from investment properties	<u>37,259</u>	<u>36,737</u>
	<u>52,678</u>	<u>51,734</u>

5. OTHER INCOME, NET

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest income from bank deposits	1,549	2,811
Net foreign exchange gain	4,008	6,786
Government grants*	—	446
Gain on disposal of investment properties**	—	2,270
Gain on disposal of property, plant and equipment	28	—
Others	<u>273</u>	<u>50</u>
	<u>5,858</u>	<u>12,363</u>

* During the year ended 31 December 2020, government grants of HK\$432,000 (approximately RMB384,000) and RMB62,000, which represented subsidies for stabilising employment, were received from the Government of the Hong Kong Special Administrative Region under the “Anti-epidemic Fund” and government authorities in the PRC, respectively. There were no unfulfilled conditions and contingencies related to these grants.

** In September and October 2020, the Group entered into separate sale and purchase agreements with three independent third parties and disposed of three residential properties located at Dufu Garden, 10 Zu, 11 Zu, Long Zhua Cun, Wu Hou District, Chengdu, Sichuan Province in the PRC with a carrying value of RMB23,700,000 in aggregate, which were classified as investment properties at the time of disposal. The aggregate consideration before tax was approximately RMB27,268,000.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on a bank loan	626	978
Interest on lease liabilities	43	98
	<u>669</u>	<u>1,076</u>

7. PROFIT BEFORE TAX

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of services rendered*	13,066	12,415
Depreciation of property, plant and equipment	148	253
Depreciation of right-of-use assets	1,286	1,404
Impairment of trade receivables**	327	12
Write-off of items of property, plant and equipment	—	204
Gain on disposal of items of property, plant and equipment, net	(28)	—
Gain on disposal of investment properties	—	(2,270)
Employee benefit expense (including directors' remuneration):		
Salaries and other benefits	14,747	14,686
Pension scheme contributions	1,005	196
	<u>15,752</u>	<u>14,882</u>

* The employee benefit expense included in cost of services rendered was RMB5,328,000 (2020: RMB4,506,000).

** The impairment of trade receivables for the years are included in "Other operating expenses" in the 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 during the year (2020: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax — the PRC		
Corporate Income Tax (“CIT”)	4,560	7,252
Land Appreciation Tax (“LAT”)	—	1,818
Deferred tax	6,118	2,259
Withholding tax	291	388
	<u>10,969</u>	<u>11,717</u>

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

Pursuant to “Notice on Implementation of Inclusive Tax Relief Policy for Small Low-profit Enterprises Cai Shui (2019) No. 13” and the “Announcement on Implementing the Preferential Income Tax Policies for Micro and Small Enterprises and Individual Industrial and Commercial Households (Announcement No. 12 [2021])”, Chengdu Everbright Property Management Co., Ltd. falls within the eligible industry category and is eligible to enjoy the preferential income tax rates of 2.5% (a reduced rate of 12.5% of the taxable income amount, and be subject to corporate income tax at a 20% tax rate when income does not exceed RMB1,000,000) and 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 year ended 31 December 2021 (2020: 5% when taxable income does not exceed RMB1,000,000 and 10% when taxable income exceeds RMB1,000,000 but does not exceed RMB3,000,000).

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

LAT is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds from sale of properties less deductible expenditures including lease charges of land use rights, borrowing costs and relevant property development expenditures.

For the year ended 31 December 2020, the Group’s investment properties were charged on the contract revenue of properties sold at 7% according to local tax regulations published by the Chengdu local tax bureau.

9. DIVIDENDS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Final dividend paid in respect of the year ended 31 December 2020 — RMB1.92 cents (2019: RMB2.03 cents) per ordinary share	8,475	8,960
Special dividend paid — RMB1.50 cents (2019: Nil) per ordinary share	<u>6,621</u>	<u>—</u>
	<u>15,096</u>	<u>—</u>
Interim dividend — RMB0.86 cents (2020: Nil) per ordinary share	<u>3,796</u>	<u>—</u>
Proposed final dividend — RMB0.99 cents (2020: RMB1.92 cents) per ordinary share	4,370	8,475
Proposed special dividend — Nil (2020: RMB1.50 cents) per ordinary share	<u>—</u>	<u>6,621</u>
	<u>4,370</u>	<u>15,096</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders ("Shareholders") at the forthcoming annual general meeting. The final dividend proposed after the end of the reporting period has not been recognised as liabilities at the end of the reporting period. The special dividend was declared on 28 January 2021 and had not been recognised as liabilities as at 31 December 2020.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to equity shareholders of the Company of RMB32,673,000 (2020: RMB33,982,000), and the weighted average number of ordinary shares of 441,400,000 (2020: 441,400,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	2,954	6,591
Impairment	<u>(529)</u>	<u>(202)</u>
	2,425	6,389
Other receivables and prepayments	<u>1,462</u>	<u>1,672</u>
	<u>3,887</u>	<u>8,061</u>

Trade receivables are due for payment pursuant to the terms of the agreements. Normally, the Group does not obtain collateral from customers.

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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 month	2,425	6,042
1 to 2 months	—	159
2 to 3 months	<u>—</u>	<u>188</u>
	<u>2,425</u>	<u>6,389</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At beginning of year	202	190
Impairment losses, net (<i>note 7</i>)	<u>327</u>	<u>12</u>
At end of year	<u>529</u>	<u>202</u>

12. TRADE AND OTHER PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	1,439	1,321
Interest payable	22	31
Other taxes and charges payable	245	555
Deposits received	5,204	5,594
Accrued payroll and other benefits	2,896	3,157
Listing expenses payable	—	551
Rental receipt-in-advance	12,302	9,773
Other payables	1,689	2,258
	<u>23,797</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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 3 months	235	972
Over 3 months	1,204	349
	<u>1,439</u>	<u>1,321</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Result

For the financial year ended 31 December 2021, the Group's revenue and profit attributable to equity shareholders of the Company amounted to approximately RMB52.7 million (2020: approximately RMB51.7 million) and approximately RMB32.7 million (2020: approximately RMB34.0 million), respectively.

Business Review

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

The Group's revenue for the year ended 31 December 2021 amounted to approximately RMB52.7 million (2020: approximately RMB51.7 million), which represented an increase of approximately 1.9% as compared to last year, mainly because of the rise in occupancy rate of the investment properties. Profit attributable to equity shareholders of the Company for the year ended 31 December 2021 was approximately RMB32.7 million (2020: approximately RMB34.0 million), which represented a decline of approximately 3.8% as compared to last year. The decrease in profit is mainly due to absence of gain on disposal of investment properties during the year. The basic earnings per share for the year ended 31 December 2021 was approximately RMB0.07 (2020: RMB0.08). The review of the individual business segment of the Group is set out below.

Property Leasing

The rental income from the Group's property leasing business was approximately RMB37.3 million for the year ended 31 December 2021 (2020: RMB36.7 million). The slight rise in the occupancy rate resulted in the increase in total rental income. The Group's leasing properties are located in Chengdu, Sichuan province and Kunming, Yunnan province in the PRC. As at 31 December 2021, 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 (2020: 89,507) square meters ("sq.m.").

Property Leasing Portfolio

	As at 31 December 2021		Average occupancy rate		Average occupancy rate (Commercial use) ⁽¹⁾		Rental income for the year ended 31 December	
	GFA owned	Commercial use GFA ⁽¹⁾	2021	2020	2021	2020	2021	2020
	(sq.m.)	(sq.m.)	%	%	%	%	RMB (million)	RMB (million)
Commercial Properties								
Everbright Financial Center ⁽²⁾ No. 9 Wenwu Road, Qingyang District, Chengdu	34,335	31,153	73%	60%	81%	67%	20.4	17.6
Everbright International Mansion ⁽²⁾ No. 2 Caoshi Street, Qingyang District, Chengdu	38,199	28,905	64%	75%	85%	99%	8.3	9.5
Ming Chang Building ⁽²⁾ No. 28 Renmin Road Central, Wuhua District, Kunming	16,973	16,973	92%	88%	92%	93%	8.6	9.3
	<u>89,507</u>	<u>77,031</u>					<u>37.3</u>	<u>36.4</u>
Residential Properties								
Dufu Garden ⁽²⁾⁽³⁾ 10 Zu, 11 Zu, Long Zhua Cun, Wu Hou District, Chengdu	—	—	N/A	100%	N/A	100%	—	0.3
	<u>89,507</u>	<u>77,031</u>					<u>37.3</u>	<u>36.7</u>

Notes:

- (1) Excluding warehouses and parking spaces which cannot be used as offices, commercial spaces or residence.
- (2) All the properties are located in the PRC and held under medium-term lease.
- (3) The residential properties were disposed of as investment properties during the year ended 31 December 2020.

Property Management Service

In order to maximise the value of the Group's properties, the Group has a professional property management team to provide property management services for its properties, namely, Everbright Financial Center and Everbright International Mansion. Revenue from the Group's property management services was approximately RMB15.4 million for the year ended 31 December 2021 (2020: RMB15.0 million). The increase in revenue from property management services was resulted from the rise in occupancy rate in Everbright Financial Center during the year. However, due to the termination of tenancy agreement of an individual tenant in Everbright International Mansion near the end of the reporting period, total GFA under the Group's management decreased 7.7% to approximately 65,037 sq.m. as at 31 December 2021 (2020: 70,498 sq.m.).

Investment Properties

The Group's investment properties mainly consist of land and/or buildings which are owned or held under leasehold interest to earn rental income and/or for capital appreciation. As at 31 December 2021, the fair value of the investment properties was RMB953.7 million (2020: RMB933.3 million). The valuation gain on investment properties for the year ended 31 December 2021 amounted to approximately RMB17.5 million (2020: approximately RMB17.2 million), representing an increase of approximately RMB0.3 million as compared to last year. The slight increase indicated the property market in the PRC gradually improved.

Prospects

Looking forward to 2022, with the spread of COVID-19 pandemic in China becoming under control and pandemic prevention and control remain buoyant, all regions of China are actively promoting the resumption of business operation and production. China will continue to lead the gradual recovery of the global economy and make a substantial contribution to the global economic recovery in the post-epidemic era. As a developing country that maintains a globally leading position in epidemic prevention and control, China continues to optimise and upgrade its industrial structure, accelerates the transformation from old to new economic drivers and gains stronger momentum for high-quality development. To build a moderately prosperous society, the Chinese government has introduced a series of encouraging policies to support and promote the development of the property management industry, which is receiving unprecedented attention in national development. In early 2021, after the Ministry of Housing and Urban-Rural Development and other departments jointly issued the Notice on Strengthening and Improving Residential Property Management, local governments in various provinces and cities have successively issued new regulations and policies on property management, and a consensus has been reached from the central to the local level to support and encourage the development of the property management industry.

In addition, the property management industry plays an important role in promoting the development of lifestyle services with the rise of the community economy and the expansion and increase of service offerings. In late May 2021, 12 departments, including the Ministry of Commerce, issued the “Opinions on Promoting the Construction of Urban 15-Minute Convenient Living Circle”, which explicitly proposed to encourage eligible property service enterprises to extend into the fields of elderly care, childcare, housekeeping, courier services and front warehouses, and to promote “property services + living services”, and further proposed to introduce favourable policies in terms of finance and taxation. This indicates that under the market-oriented trend, continuous innovation in service content and service mode is the main way to enhance the competitiveness of property service enterprises. Therefore, with the frequent release of abovementioned favourable policies, the importance of property management industry is becoming increasingly evident, and the long-term development trend of the industry remains positive.

The Group has recently entered into a new framework agreement with the China Everbright Group to further deepen their partnership and achieve mutually beneficial and win-win situation, enabling the continuous growth of the Group’s leasing business. In addition, the synergy effect of the China Everbright Group and the popularity of the “Everbright” brand will make it easier for the Group to win the trust of its customers and the general public, which will help enhancing its brand image and social influence, equipping the Group with stronger bargaining power in the capital market and creating more favourable conditions for further unlocking potential of value-added services and achieving sustainable growth.

At present, the property management industry in China is still in its formative years and competition among enterprises is becoming increasingly fierce. Facing the dual pressure from the environment and the market, the Group is actively identifying properties with investment potential, and it will also continue to develop new value-added service business to broaden its service boundary and business scope. In 2022, with the development of smart cities, the Group will explore the community value-added service sector of the property management industry in order to promote customer-centric and refined management services and facilitate diversification of demand, products and channels to comprehensively improve the quality of property management services and win widespread recognition from residents and the community as a whole.

Looking ahead, with the change in people’s living and consumption patterns due to the ongoing pandemic, residents’ consumption needs will become more personalised, diversified and quality-oriented. Therefore, it is inevitable that property management services will be upgraded in terms of quality and intelligence level, and the Group’s potential in value-added services is expected to be further released. As the property management industry continues to consolidate at a faster pace, the Group will actively respond to market challenges and seize opportunities amidst fierce competition to fully unleash the Group’s growth potential in order to pursue a broader scope of development. Meanwhile, the Group will also expand its business scale, further develop the community value-added services and optimise the

structure of property management services, thereby enhancing the profitability of the Company and fully consolidating the Group's market position. Going forward, the Group will continue to provide outstanding property services and facilitate the high-quality development of China's property management industry, thereby meeting people's aspirations for a better life with its best efforts.

Liquidity and Financial Resources

The total equity of the Group as at 31 December 2021 was approximately RMB940.7 million (2020: approximately RMB934.6 million). As at 31 December 2021, the Group maintained cash and cash equivalents of approximately RMB203.8 million (2020: approximately RMB217.8 million). The Group's net current assets was approximately RMB173.0 million as at 31 December 2021 (2020: approximately RMB187.8 million). The Group had current assets of approximately RMB207.7 million as at 31 December 2021 (2020: approximately RMB225.8 million). The decrease in current assets was mainly due to the decrease in trade and other receivables and prepayments and cash and cash equivalents during the year. The Group had current liabilities of RMB34.7 million (2020: approximately RMB38.1 million). The decrease in current liabilities was mainly due to the decrease in tax payable.

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 had an outstanding bank loan of approximately RMB7.0 million (2020: approximately RMB14.0 million) as at 31 December 2021. The bank loan was secured by the Group's investment properties. As at 31 December 2021, the Group's gearing ratio, being measured by the Group's total liabilities over its total assets, was 19.4% (2020: 19.7%). The Group's liquidity position was well-managed in this year.

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 to ensure efficient use of the available banking facilities and compliance with the loan covenants.

Charges on Group Assets

The outstanding bank loan of RMB7.0 million was secured by Everbright International Mansion with an aggregate GFA of approximately 38,082 sq.m. As at 31 December 2021, the fair value of the pledged assets amounted to approximately RMB366.5 million (2020: approximately 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 year ended 31 December 2021. Therefore, the Group did not engage in any hedging activities.

Contingent Liability

As at 31 December 2021, the Group had no contingent liability (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 31 December 2021, the Group had used approximately RMB13.0 million (2020: RMB12.6 million) of the Net Proceeds for the purposes as set out in the section head “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 year ended 31 December 2021	Amount utilised up to 31 December 2021	Unutilised Net Proceeds as at 31 December 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 2023
Upgrade in building facilities and/or renovating the properties of the Group	11,613	5,249	497	5,746	5,867	Expected to be fully utilised on or before 31 December 2023
Working capital and general corporate purposes	11,613	4,140	—	4,140	7,473	N/A
Total	<u>116,130</u>	<u>12,551</u>	<u>497</u>	<u>13,048</u>	<u>103,082</u>	

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

As at 31 December 2021, the unutilised Net Proceeds was approximately RMB103.1 million (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 COVID-19 pandemic and the travel and quarantine restrictions. As COVID-19 becomes less serious, the Group will resume its plan to conduct site visits to acquire properties that fit the Group's selection criteria or development strategies. Subject to the developments of the COVID-19 pandemic, after taking into account of the time required to identify potential targets which fit the property selection criteria or development strategies of the Group and time required to complete the acquisition, it is expected that the remaining amount allocated for acquisition of properties in the major cities of U.K. will be fully utilised by the end of 2023.

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

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

The unutilised Net Proceeds will be applied according to the purposes set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus. The Directors considered that it would be in the best interest of the Group to deposit such funds temporarily in the bank accounts to earn interest income and are not aware of any material change to the proposed use of the proceeds as at the date of this announcement.

Employees and Emolument Policy

As at 31 December 2021, the Group employed a total of 141 employees (2020: 143 employees) and appointed 8 Directors. Total staff costs, including Directors' emoluments, of the Group were approximately RMB15.8 million (2020: RMB14.9 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 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.

ANNUAL GENERAL MEETING

The 2022 annual general meeting (“**AGM**”) of the Company will be held on Thursday, 16 June 2022. The notice of the AGM will be published and despatched in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in due course.

FINAL DIVIDEND

The Board has proposed to pay a final dividend of RMB0.99 cents (equivalent to HK1.22 cents) per share (2020: RMB1.92 cents) for the year ended 31 December 2021, payable to the Shareholders whose names appear on the register of members of the Company (the “**Register of Members**”) on Thursday, 30 June 2022. Together with the special dividend and interim dividend of RMB1.5 cents and RMB0.86 cents per share respectively, the full year dividend amounts to RMB3.35 cents per share (2020: RMB1.92 cents per share).

Subject to approval by the Shareholders of the payment of final dividend at the forthcoming annual general meeting (“**AGM**”) of the Company to be held on Thursday, 16 June 2022, the proposed final dividend will be paid to the Shareholders on or about Friday, 15 July 2022.

The proposed final dividend will be paid in Hong Kong dollars. The exchange rate for the dividend to be paid in Hong Kong dollars is the central parity rate of Hong Kong dollars to RMB as announced by the People's Bank of China on 23 March 2022.

CLOSURE OF REGISTER OF MEMBERS

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

- (i) For determining the Shareholders' eligibility to attend and vote at the AGM:
 - (a) Latest time to lodge transfer documents for registration 4:30 pm on Friday, 10 June 2022
 - (b) Closure of Register of Members Monday, 13 June 2022 to Thursday, 16 June 2022 (both dates inclusive)
- (ii) For determining entitlement to the final dividend:
 - (a) Latest time to lodge transfer documents for registration 4:30 pm on Friday, 24 June 2022
 - (b) Closure of Register of Members Monday, 27 June 2022 to Thursday, 30 June 2022 (both dates inclusive)
 - (c) Record date Thursday, 30 June 2022

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

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

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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 its 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 the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability. The Group’s governance principles and practices are reviewed and revised regularly as appropriate to reflect the ever changing regulatory requirements and corporate governance development.

For the year ended 31 December 2021 and up to the date of this announcement, the Company has adopted the Corporate Governance Code (version up to 31 December 2021) (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.

Pursuant to the CG Code provision A.2.1, the roles of the chairman and the chief executive of the company should be separated and should not be performed by the same individual for a balance of power and authority. The division of responsibilities between the chairman and the chief executive of the company should be clearly established and set out in writing.

Furthermore, the Board will adopt the new CG Code (version with effective from 1 January 2022), the requirement under which shall apply to the Company’s corporate governance report in the forthcoming financial year ending 31 December 2022.

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**”) acts 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, 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. Moreover, decisions of the Board are made by way of majority votes. The Board believes that this structure is conducive to facilitates prompt response to the fast changing business environment and enhances the efficiency in the business process.

The Board also considers that the current Board composition, where the independent non-executives Directors represent half of the Board, the Directors are of the view that there is a fairly strong independence element in its composition. The Board shall nevertheless review the arrangement from time to time.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiry with each of the Directors, the Company has received confirmations from all Directors that they have complied with the required standards as set out in the Model Code for the year ended 31 December 2021.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors, namely Mr. Tsoi David (chairman of the Audit Committee), Mr. Shek Lai Him Abraham and Mr. Lee Jor Hung. 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 consolidated financial statements of the Group for the year ended 31 December 2021 have been reviewed by the Audit Committee.

SCOPE OF WORK OF ERNST & YOUNG ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on the preliminary results announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company's website at www.ebgca.com.hk. The annual report of the Company for the year ended 31 December 2021 will be available on both websites and despatched to the Shareholders in due course.

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

Hong Kong, 24 March 2022

As at the date of this announcement, the Board comprises Mr. Liu Jia and Mr. Ma Heming as executive Directors; Ms. Wang Yun and Mr. Zhuang Minrong as non-executive Directors; and Mr. Tsoi David, Mr. Shek Lai Him Abraham, Mr. Lee Jor Hung and Ms. Yu Pauline Wah Ling as independent non-executive Directors.