CHINA ALL NATION INTERNATIONAL HOLDINGS GROUP LIMITED
中國全民國際控股集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8170)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 JULY 2019

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the "**Directors**") of China All Nation International Holdings Group Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 31 JULY 2019

In the year ended 31 July 2019:

(1) the Group's total revenue has materially increased by 177.4% to approximately HK$103.2 million (2018: approximately HK$37.2 million) which was mainly due to:

   (i) 39.9% increase in revenue of the Group's interior design and decoration business in Hong Kong to approximately HK$36.8 million (2018: approximately HK$26.3 million); and

   (ii) expansion of the Group's business to sub-leasing and interior design and decoration businesses in the PRC.

(2) gross profit of the Group has materially increased by 391.7% to approximately HK$17.7 million (2018: approximately HK$3.6 million)

(3) gross profit margin increased to 17.2% (2018: 9.7%)

(4) loss of the Group before income tax had materially decreased by 93.4% to approximately HK$1.2 million (2018: approximately HK$18.2 million)

(5) loss of the Group (i.e. loss after income tax) had materially decreased by 80.2% to approximately HK$3.7 million (2018: approximately HK$18.7 million)

(6) basic and diluted loss per share based on weighted average number of ordinary shares was approximately HK1.71 cents (2018: approximately HK3.56 cents)

The Board did not recommend the payment of a final dividend for the year ended 31 July 2019 (2018: nil).

ANNUAL RESULTS FOR THE YEAR ENDED 31 JULY 2019

The board (the "**Board**") of Directors of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 July 2019 together with the comparative figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 July 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
Revenue	4	**103,165**	37,240
Cost of sales		**(85,489)**	(33,622)
Gross profit		**17,676**	3,618
Other income and gains	5	**2,738**	4,784
Fair value changes on financial assets at fair value through profit or loss		**—**	(2,915)
Administrative and other operating expenses		**(20,812)**	(23,653)
Impairment loss allowance on trade receivables and contract assets		**(811)**	(17)
Loss before income tax	6	**(1,209)**	(18,183)
Income tax expense	7	**(2,442)**	(490)
Loss for the year		**(3,651)**	(18,673)
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**88**	—
Total comprehensive loss for the year, net of income tax		**(3,563)**	(18,673)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 July 2019

	Notes	**2019 HK$'000**	2018 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(7,051)**	(14,651)
Non-controlling interests		**3,400**	(4,022)
		(3,651)	(18,673)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(6,963)**	(14,651)
Non-controlling interests		**3,400**	(4,022)
		(3,563)	(18,673)
Loss per share attributable to the owners of the Company			
— Basic and diluted loss per share (HK cents)	8	**(1.71)**	(3.56)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 July 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
Non-current assets			
Property, plant and equipment	10	**3,087**	1,388
Goodwill	16	**230**	—
Intangible assets		**882**	—
Deposits paid	12	**12,330**	—
		16,529	1,388
Current assets			
Trade receivables	11	**21,078**	9,951
Contract assets	11	**18,334**	—
Amounts due from customers for contract work		**—**	3,107
Prepayments, deposits paid and other receivables	12	**20,487**	3,142
Tax recoverable		**—**	1,390
Cash and cash equivalents	13	**65,518**	66,584
		125,417	84,174
Current liabilities			
Trade and other payables	14	**52,654**	7,756
Contract liabilities	14	**1,392**	—
Amounts due to customers for contract work		**—**	4
Tax payable		**2,011**	793
		56,057	8,553
Net current assets		**69,360**	75,621
Total assets less current liabilities		**85,889**	77,009
Non-current liabilities			
Deposits received	14	**12,697**	—
Deferred tax liabilities		**220**	—
		12,917	—
Net assets		**72,972**	77,009

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
Equity			
Share capital	15	**4,112**	4,112
Reserves		**69,723**	77,099
Equity attributable to owners of the Company		**73,835**	81,211
Non-controlling interests		**(863)**	(4,202)
Total equity		**72,972**	77,009

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2019

	Attributable to owners of the Company					
	Share capital HK$'000 (Note 15)	**Share premium HK$'000**	**Other reserves HK$'000**	**Sub-total HK$'000**	**Non-controlling interests HK$'000**	**Total equity HK$'000**
At 31 July 2017	4,112	24,394	67,356	95,862	(180)	95,682
Loss and total comprehensive loss for the year	—	—	(14,651)	(14,651)	(4,022)	(18,673)
At 31 July 2018 as previously reported	4,112	24,394	52,705	81,211	(4,202)	77,009
Impact on initial application of Hong Kong Financial Reporting Standard ("HKFRS") 9 *(Note 3.2(ii))*	—	—	(413)	(413)	(84)	(497)
Adjusted balance at 1 August 2018	**4,112**	**24,394**	**52,292**	**80,798**	**(4,286)**	**76,512**
(Loss)/profit for the year	**—**	**—**	**(7,051)**	**(7,051)**	**3,400**	**(3,651)**
Other comprehensive income for the year						
Exchange differences on translation of financial statements of foreign operations	**—**	**—**	**88**	**88**	**—**	**88**
Total comprehensive loss for the year	**—**	**—**	**(6,963)**	**(6,963)**	**3,400**	**(3,563)**
Disposal of subsidiaries	**—**	**—**	**—**	**—**	**31**	**31**
Deregistration of a subsidiary	**—**	**—**	**—**	**—**	**(8)**	**(8)**
At 31 July 2019	**4,112**	**24,394**	**45,329**	**73,835**	**(863)**	**72,972**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 July 2019

1. GENERAL INFORMATION

China All Nation International Holdings Group Limited (the "**Company**"), which changed its name from KSL Holdings Limited to China All Nation International Holdings Group Limited on 31 January 2019, was incorporated and registered as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company's shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The registered office address of the Company is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of the Company's principal place of business in Hong Kong is Unit 1902, 19/F., Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of civil engineering consulting and contracting services in Hong Kong, property sub-leasing and management business in the People's Republic of China (the "**PRC**") and interior design services and decoration works in both Hong Kong and PRC. The provision of interior design and decoration work services and property sub-leasing business in the PRC are related to the acquisition of a subsidiary for the year ended 31 July 2019, details of which are set out in note 16.

These consolidated financial statements were approved for issue by the board of directors on 10 October 2019.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations ("**Int**") 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. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**Listing Rules**").

The HKICPA has issued several new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Details of the changes in accounting policies are discussed in note 3.

2.2 Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 July 2019 comprise the Company and its subsidiaries (the "**Group**").

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis. The consolidated financial statements have been presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated. Certain comparative figures have been reclassified in order to conform with current year's presentation.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. ADOPTION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied a number of new HKFRSs and amendments to HKFRSs issued by the HKICPA that are mandatorily effective for an accounting period that begins on or after 1 August 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3.1 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 August 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 August 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

3. ADOPTION OF NEW AND REVISED HKFRSs – *continued*

3.1 HKFRS 15 Revenue from Contracts with Customers – *continued*

The Group recognises revenue from the provision of civil engineering consulting, contracting, interior design services and decoration works, which arise from contracts with customers.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 August 2018. Line items that were not affected by the changes have not been included.

	Notes	**Carry amounts previously reported at 31 July 2018**	**Reclassification**	**Carry amounts under HKFRS 15 at 1 August 2018***
		HK$'000	HK$'000	HK$'000
Current assets				
Contract assets	(a)	—	3,443	3,443
Amounts due from customers for contract works	(a)	3,107	(3,107)	—
Retention receivables	(a)	336	(336)	—
Current liabilities				
Trade and other payables	(b)	7,756	(866)	6,890
Contract liabilities	(a), (b)	—	870	870
Amounts due to customers for contract works	(a)	4	(4)	—

* The Group recognised the cumulative effect of initially applying HKFRS 15 as a reclassification to the opening balances as at 1 August 2018. The amounts in this column are before the adjustments from the application of HKFRS 9.

For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 July 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 August 2018 as disclosed above.

3. ADOPTION OF NEW AND REVISED HKFRSs – *continued*

3.1 HKFRS 15 Revenue from Contracts with Customers – *continued*

Notes:

(a) In relation to contracts for contracting works and interior design and decoration works previously accounted for under HKAS 11, the Group continues to apply output method and input method respectively in estimating the performance obligations satisfied up to date of initial application of HKFRS 15. The amounts due from/to customers for contract works and retention receivables were reclassified to contract assets and contract liabilities.

(b) At the date of initial application, included in trade and other payables are advances received from customers for contract work amounted to approximately HK$866,000. These balances were reclassified to contract liabilities upon application of HKFRS 15.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 July 2019. The application of HKFRS 15 has no material impact on the Group's consolidated statement of profit or loss and other comprehensive income. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	Reclassification	Amounts without application of HKFRS 15
	HK$'000	HK$'000	HK$'000
Current assets			
Contract assets	18,334	(18,334)	—
Amounts due from customers for contract works	—	17,998	17,998
Retention receivables	—	336	336
Current liabilities			
Contract liabilities	1,392	(1,392)	—
Amounts due to customers for contract works	—	1,392	1,392

3. ADOPTION OF NEW AND REVISED HKFRSs – *continued*

3.1 HKFRS 15 Revenue from Contracts with Customers – *continued*

Impact on the consolidated statement of cash flows

	As reported	Reclassification	Amounts without application of HKFRS 15
	HK$'000	HK$'000	HK$'000
Operating activities			
Increase in trade receivables	(11,802)	336	(11,466)
Increase in contract assets	(14,998)	14,998	—
Increase in amounts due from customers for contract works	—	(15,334)	(15,334)
Increase in trade and other payables	46,244	(866)	45,378
Increase in contract liabilities	522	(522)	—
Increase in amounts due to customers for contract works	—	1,388	1,388

The explanations of the above changes affected in the current year by the application of HKFRS 15 as compared to HKAS 11 and HKAS 18 and the related interpretations are set out in notes (a) and (b) above for describing the reclassifications made to the consolidated statement of financial position at 1 August 2018 upon the adoption of HKFRS 15.

3. ADOPTION OF NEW AND REVISED HKFRSs – *continued*

3.2 HKFRS 9 Financial Instruments

HKFRS 9 replaces HKAS 39 *Financial Instruments: Recognition and Measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. In accordance with the specific transitional provisions set out in HKFRS 9, the Group has applied the requirements of HKFRS 9, including classification and measurement requirements and the impairment under expected credit losses ("**ECL**") model to items that existed as of the date of initial application (i.e. 1 August 2018) on a retrospective basis based on the facts and circumstances that existed as at 1 August 2018. However, the Group has decided not to restate the comparative figures. Accordingly, the comparative information continues to be presented based on the requirements of HKAS 39 and hence may not be comparable with the current year information. The cumulative effect of initial application of HKFRS 9 has been recognised as adjustments to the opening equity.

(i) Classification and measurement of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("**FVTOCI**") and at fair value through profit or loss ("**FVTPL**"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. The Group did not designate or de-designate any financial assets and financial liabilities at FVTPL at 1 August 2018. The measurement categories for all financial assets and liabilities of the Group remain the same. The classification of all financial assets and financial liabilities at 1 August 2018 have not been impacted by the initial application of HKFRS 9.

3. ADOPTION OF NEW AND REVISED HKFRSs – *continued*

3.2 HKFRS 9 Financial Instruments – *continued*

(i) Classification and measurement of financial assets and financial liabilities – continued

The following table summarises the impact of transition to HKFRS 9 on reserves at 1 August 2018:

	HKAS 39 carrying amounts at 31 July 2018	Remeasurement (Note)	HKFRS 9 carrying amounts at 1 August 2018
	HK$'000	HK$'000	HK$'000
Contract assets	3,443	(2)	3,441
Trade receivables	9,615	(169)	9,446
Other receivable	1,950	(326)	1,624
Total current assets	**84,174**	**(497)**	**83,677**
Net current assets	**75,621**	**(497)**	**75,124**
Net assets	**77,009**	**(497)**	**76,512**
Non-controlling interests	(4,202)	(84)	(4,286)
Reserves	52,705	(413)	52,292
Total equity	**77,009**	**(497)**	**76,512**

Note: The amount represents expected credit losses based on the new ECL model under HKFRS 9.

(ii) Expected credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECL earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECLs model to the financial assets measured at amortised cost, including trade receivables, contract assets, deposit and other receivables, and cash and cash equivalents.

3. ADOPTION OF NEW AND REVISED HKFRSs – *continued*

3.2 HKFRS 9 Financial Instruments – *continued*

(ii) Expected credit losses – *continued*

The following table is a reconciliation that shows how the closing loss allowance as at 31 July 2018 determined in accordance with HKAS 39 can be reconciled to the opening loss allowance as at 1 August 2018 determined in accordance with HKFRS 9:

	HK$'000
Loss allowance recognised as at 31 July 2018 under HKAS 39	—
Additional loss allowance as a result of the application of ECL model under HKFRS 9	
— Contract assets	2
— Trade receivables	169
— Deposits paid and other receivables	326
Loss allowance recognised as at 1 August 2018 under HKFRS 9	497

As a result of this change in accounting policy, the Group has recognised additional loss allowance amounting to approximately HK$497,000 and has decreased reserves of the Group by approximately HK$413,000 at 1 August 2018.

In the opinion of the directors of the Company, as the future income stream under the provision of interior design and decoration work contract service in Hong Kong is uncertain, it is unlikely the deductible temporary difference can be able to utilise in the short period of time. Therefore, the related deferred tax asset as at 1 August 2018 is not recognised.

3. ADOPTION OF NEW AND REVISED HKFRSs – *continued*

3.3 HK(IFRIC)-Int 22 Foreign Currency Transactions and Advance Consideration

HK(IFRIC)-Int 22 provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency. The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way, the Group recorded these advances by applying the spot exchange rate on initial recognition. The application of this interpretation has had no significant impact on the amounts reported and/ or disclosures set out in these consolidated financial statements.

3.4 New and revised HKFRSs that issued but not yet effective for the year ended 31 July 2019

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 July 2019 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group.

		Effective for accounting periods beginning on or after
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 August 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 August 2019
HKFRS 16	Leases	1 August 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 August 2019
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle	1 August 2019
HKFRS 3 (Revised) Amendments	Definition of a Business	1 August 2020
HKAS 1 (Revised) and HKAS 8 Amendments	Definition of Material	1 August 2020
Conceptual Framework For Financial reporting 2018	Revised Conceptual Framework For Financial Reporting	1 August 2020

3. ADOPTION OF NEW AND REVISED HKFRSs – *continued*

3.4 New and revised HKFRSs that issued but not yet effective for the year ended 31 July 2019 – *continued*

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. The actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's annual report for the year ending 31 July 2020. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in the financial statements.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sale and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

3. ADOPTION OF NEW AND REVISED HKFRSs – *continued*

3.4 New and revised HKFRSs that issued but not yet effective for the year ended 31 July 2019 – *continued*

HKFRS 16 Leases – *continued*

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront other operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing/operating cash flows by the Group.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

Lessees also can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 August 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 August 2019 and will not restate the comparatives.

As at 31 July 2019, the Group has non-cancellable operating lease commitments of approximately HK$228,034,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise right-of-use assets and lease liabilities in respect of all these leases unless they qualify for low value or short-term leases.

3. ADOPTION OF NEW AND REVISED HKFRSs – *continued*

3.4 New and revised HKFRSs that issued but not yet effective for the year ended 31 July 2019 – *continued*

HKFRS 16 Leases – *continued*

In addition, the Group currently considers refundable rental deposits paid of approximately HK$13,665,000 and refundable rental deposits received of approximately HK$17,514,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments received from the lessees.

4. REVENUE AND SEGMENT INFORMATION

The Group derives its revenue from the transfer of goods and services over time in the following major service lines. This is consistent with the revenue information that is disclosed for each reportable segment under HKFRS 8.

	2019	2018
	HK$'000	HK$'000
Revenue from property sub-leasing:		
Gross rental income	**31,644**	—
Revenue from contracts with customers within the scope of HKFRS 15, types of goods or services:		
Engineering consulting	—	700
Contracting	**7,498**	10,214
Interior design and decoration work	**60,361**	26,326
Property management fee income	**3,662**	—
	103,165	37,240

4. REVENUE AND SEGMENT INFORMATION – *continued*

Segment reporting

The management of the Company has determined the operating segments based on the reports reviewed by the directors of the Company, the chief operating decision-maker, that are used to make strategic decisions. The directors consider the business from a product/service perspective. The Group's operating and reportable segments are analysed as follows:

Engineering consulting: Provision of developing cost-effective engineering designs and obtaining necessary approvals in respect of the engineering designs developed by the Group from the relevant government authorities or their appointed consultants.

Contracting: Provision of undertaking general building works as contractor in Hong Kong.

Interior design and decoration work: Provision of interior design services and decoration works in Hong Kong and the PRC.

Property sub-leasing and management service: The sub-leasing of properties in the PRC.

Others: Financial public relations services in Hong Kong.

No operating segments have been aggregated to form the above reportable segments.

Segment revenue is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

The directors assess the performance of the operating segments based on a measure of segment results. Unallocated corporate expenses, income tax expenses and other major items that are isolated and non-recurring in nature are not included in segment results.

Segment assets mainly consist of current assets and non-current assets as disclosed in the consolidated statement of financial position except cash and cash equivalents, unallocated property, plant and equipment, tax recoverable and unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities mainly consist of current liabilities as disclosed in the consolidated statement of financial position except unallocated corporate liabilities, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

4. REVENUE AND SEGMENT INFORMATION – *continued*

Segment reporting – *continued*

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance is set out below:

	Engineering consulting HK$'000	Contracting HK$'000	Interior design and decoration HK$'000	Property sub-leasing and management service HK$'000	Others HK$'000	Total HK$'000
Year ended 31 July 2019						
Revenue from external customers	—	7,498	60,361	35,306	—	103,165
Disaggregated by timing of revenue recognition						
Services transferred over time	—	7,498	60,361	3,662	—	71,521
Reportable segment profit	—	544	6,593	4,979	—	12,116
Gain on disposal of subsidiaries						73
Loss on deregistration of a subsidiary						(12)
Unallocated corporate expenses						(13,386)
Loss before income tax						(1,209)
Income tax expense						(2,442)
Loss for the year						(3,651)
Included in segment results are:						
Depreciation	—	44	488	839	—	1,371
Amortisation	—	—	—	264	—	264
Impairment loss allowance on trade receivables and contract assets	—	—	767	44	—	811
At 31 July 2019						
Segment assets	—	14,394	30,030	24,116	—	68,540
Tax recoverable						—
Unallocated assets						73,406
Consolidated total assets						141,946
Included in segment assets are:						
Additions to non-current assets	—	—	—	3,312	—	3,312
Segment liabilities	—	6,173	28,570	27,663	—	62,406
Tax payable						2,011
Deferred tax liabilities						220
Unallocated liabilities						4,337
Consolidated total liabilities						68,974

4. REVENUE AND SEGMENT INFORMATION – *continued*

Segment reporting – *continued*

	Engineering consulting HK$'000	Contracting HK$'000	Interior design and decoration HK$'000	Others HK$'000	Total HK$'000
Year ended 31 July 2018					
Revenue from external customers	700	10,214	26,326	—	37,240
Disaggregated by timing of revenue recognition					
Services transferred over time	700	10,214	26,326	—	37,240
Reportable segment (loss)/profit	(1,010)	1,460	(5,033)	(599)	(5,182)
Fair value changes on financial assets at fair value through profit or loss					(2,915)
Loan interest income					1,619
Gain on disposal of subsidiaries					2,972
Unallocated corporate expenses					(14,677)
Loss before income tax					(18,183)
Income tax expense					(490)
Loss for the year					(18,673)
Included in segment results are:					
Depreciation	190	147	376	9	722
At 31 July 2018					
Segment assets	162	9,128	8,047	43	17,380
Tax recoverable					1,390
Unallocated assets					66,792
Consolidated total assets					85,562
Included in segment assets are:					
Additions to non-current assets	—	—	—	—	—
Segment liabilities	175	6	6,244	30	6,455
Tax payable					793
Unallocated liabilities					1,305
Consolidated total liabilities					8,553

Note: There is no inter-segment revenue for both years.

4. REVENUE AND SEGMENT INFORMATION – *continued*

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, goodwill, intangible assets and deposits ("**specified non-current assets**"). The geographical location of revenue from customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset.

	Revenue		**Non-current assets**	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**44,338**	37,240	**1,736**	1,388
PRC	**58,827**	—	**14,793**	—
	103,165	37,240	**16,529**	1,388

5. OTHER INCOME AND GAINS

	2019	2018
	HK$'000	HK$'000
Gain on disposal of subsidiaries	**73**	2,972
Government grants	**—**	22
Interest income	**64**	4
Loan interest income	**—**	1,619
Management fee income	**480**	—
Net foreign exchange gains	**6**	34
Reversal of write-off of trade receivables	**300**	—
Reversal of impairment loss on deposits paid and other receivables	**954**	—
Gain on waiver of the amount due to an individual	**528**	—
Others	**333**	133
	2,738	4,784

6. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2019	2018
	HK$'000	HK$'000
Auditors' remuneration	**820**	1,060
Amortisation of intangible assets	**264**	—
Sub-contracting costs recognised as an expense	**51,431**	26,104
Depreciation of property, plant and equipment* *(Note 10)*	**1,606**	1,071
Loss on deregistration of a subsidiary	**12**	—
Minimum lease payments under operating lease charges**	**31,762**	2,797
Employee benefits expense (including directors' emoluments***:		
— Salaries and allowances	**10,504**	13,644
— Retirement benefit scheme contributions (defined contribution scheme)	**405**	435
Other expenses#	**1,050**	—

* Depreciation of approximately HK$827,000 (2018: nil) and approximately HK$779,000 (2018: approximately HK$1,071,000) has been included in cost of sales and administrative expenses respectively.

** Minimum lease payments under operating lease charges of approximately HK$28,444,000 (2018: nil) and approximately HK$3,317,000 (2018: approximately HK$2,797,000) has been included in cost of sales and administrative expenses respectively.

*** Employee benefit expense (including directors' emolument) of approximately HK$719,000 (2018: approximately HK$1,250,000) and approximately HK$10,190,000 (2018: approximately HK$12,829,000) has been included in cost of sales and administrative expenses respectively.

Other expenses relate to expenses of the Group not incurred in the ordinary and usual course of business of the Group which include professional fees incurred by the Group in attending to the queries of the Stock Exchange on maintaining the listing status of the Company.

7. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands, the British Virgin Islands (the "**BVI**") and Republic of Seychelles, the Group is not subject to any income tax in the Cayman Islands, the BVI and Republic of Seychelles.

The PRC Enterprise Income Tax (the "**EIT**") is calculated at the rate of 25% prevailing in the PRC jurisdiction for the year ended 31 July 2019. No PRC EIT has been provided for the year ended 31 July 2018 as the Group was not subject to any income tax in the PRC.

Provision for Hong Kong Profits Tax has been provided at the rate of 8.25% or 16.5% (2018: 8.25% or 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

	2019 **HK$'000**	2018 HK$'000
Current — Hong Kong		
Charge for the year	—	490
Current — PRC		
Charge for the year	**2,508**	—
Deferred tax	**(66)**	—
Income tax expense	**2,442**	490

7. INCOME TAX EXPENSE – *continued*

Tax charge for the years are reconciled to loss before taxation as follows:

	2019	2018
	HK$'000	HK$'000
Loss before income tax	**(1,209)**	(18,183)
Tax at the applicable rates in the tax jurisdictions concerned	**435**	(3,000)
Tax effect of income not taxable for tax purposes	**(143)**	(68)
Tax effect of expenses not deductible for tax purpose	**868**	1,415
Tax effect of deductible temporary differences not recognised	**152**	87
Utilisation of previously unrecognised tax losses	**(184)**	—
Tax effect of tax losses not recognised	**1,314**	2,056
Tax charge	**2,442**	490

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately HK$4,014,000 (2018: approximately HK$3,750,000) in respect of losses amounting to approximately HK$24,327,000 (2018: approximately HK$22,725,000) that can be carried forward against future taxable income. Tax losses may be carried forward indefinitely. Certain amounts of unused tax losses are subject to approval from the Hong Kong Inland Revenue Department. Other than deferred tax liabilities as disclosed in consolidated statement of financial position, the Group does not have deferred income tax assets and liabilities in the consolidated financial statements as the Group did not have other material temporary differences arising between tax bases of assets and liabilities and their carrying amounts as at 31 July 2019 (2018: nil).

8. LOSS PER SHARE

	2019	2018
	HK$'000	HK$'000
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	**(7,051)**	(14,651)

	2019	2018
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares in issue for the purpose of basic and diluted loss per share	**411,200**	411,200

There were no dilutive potential ordinary shares during the year ended 31 July 2019 (2018: nil) and therefore, the amount of diluted loss per share is same as the amount of basic loss per share.

9. DIVIDENDS

No interim dividend was declared for the year (2018: nil).

The directors do not recommend the payment of final dividend for the year ended 31 July 2019 (2018: nil). No dividend has been paid or declared by the Company since its incorporation.

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost				
At 1 August 2017	1,745	1,695	361	3,801
Additions	—	53	—	53
At 31 July 2018	1,745	1,748	361	3,854
Accumulated depreciation				
At 1 August 2017	675	635	85	1,395
Charge for the year	616	383	72	1,071
At 31 July 2018	1,291	1,018	157	2,466
Net book value				
At 31 July 2018	454	730	204	1,388
Cost				
At 1 August 2018	1,745	1,748	361	3,854
Additions	1,080	103	—	1,183
Additions through acquisition of a subsidiary *(Note 16)*	1,236	893	—	2,129
Deregistration of a subsidiary	(26)	(12)	—	(38)
Exchange realignment	11	5	—	16
At 31 July 2019	**4,046**	**2,737**	**361**	**7,144**
Accumulated depreciation				
At 1 August 2018	1,291	1,018	157	2,466
Charge for the year *(Note 6)*	1,075	459	72	1,606
Deregistration of a subsidiary	(11)	(7)	—	(18)
Exchange realignment	2	1	—	3
At 31 July 2019	**2,357**	**1,471**	**229**	**4,057**
Net book value				
At 31 July 2019	**1,689**	**1,266**	**132**	**3,087**

11. TRADE RECEIVABLES AND CONTRACT ASSETS

	At 31 July 2019 HK$'000	At 1 Aug 2018* HK$'000	At 31 July 2018 HK$'000
Trade receivables *(Note (a))*	**21,953**	9,615	9,615
Retention receivables	**—**	—	336
Less: Allowance for credit losses	**(875)**	(169)	—
	21,078	9,446	9,951
Contract assets *(Note (b))*	**18,441**	3,443	—
Less: Allowance for credit losses	**(107)**	(2)	—
	18,334	3,441	—
Total	**39,412**	12,887	9,951

* The amounts in this column are after the adjustments from the application of HKFRS 9 and HKFRS 15.

Notes:

(a) Trade receivables

No credit period is granted to customers (2018: nil).

As at 31 July 2019, trade receivables of approximately HK$21,078,000 (2018: HK$9,615,000) were past due but not impaired. The ageing analysis of these receivables, based on invoice date and past due, is as follows:

	At 31 July 2019 HK$'000	At 1 August 2018 HK$'000	At 31 July 2018 HK$'000
1 – 30 days	**7,032**	7,618	7,627
31 – 60 days	**2,160**	2	2
61 – 90 days	**596**	1,147	1,171
91 – 365 days	**5,553**	654	715
Over 365 days	**5,737**	25	100
	21,078	9,446	9,615

11. TRADE RECEIVABLES AND CONTRACT ASSETS – *continued*

Notes: – continued

(a) Trade receivables – *continued*

Trade receivables that were past due but not impaired related to customers that had been the Group's customers under contracting and interior design and decoration work services for more than 1 year and had a good track record of credit with the Group with no history of default in the past.

As at 31 July 2018, based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

As at 31 July 2018 and 2019, the Group did not hold any collateral in respect of trade receivables past due but not impaired.

(b) Contract assets

	At 31 July 2019 HK$'000	At 1 August 2018* HK$'000	At 31 July 2018 HK$'000
Contracting services	**336**	2,469	—
Interior design and decoration work services	**17,998**	972	—
	18,334	3,441	—

* The amounts in this column are after the adjustments from the application of HKFRS 9 and HKFRS 15.

The contract assets primarily relate to the Group's rights to consideration for work completed to-date and not billed because the rights are conditional on the Group's future performance in achieving agreed milestones at the reporting date on the contracting and interior design and decoration work services. The contract assets are transferred to trade receivables when the rights become unconditional, at which time the amounts become billable to the customer. The Group typically transfer contract assets to trade receivables upon achieving the agreed milestones in the contracts. The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

Certain of contract assets represent certified contracting services payments in respect of services delivered, for which certain percentage of the installment payment are withheld by the customer for retention purposes, and the amount retained is withheld on each payment up to a maximum amount calculated as the prescribed percentage of the contract sum. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection at the completion of the contracting projects. The Group classifies these contract assets as current because the Group expects to complete such contracting services within 1 year. At 31 July 2018, there was retention monies of approximately HK$336,000 held by customers for contract work performed.

12. PREPAYMENTS, DEPOSITS PAID AND OTHER RECEIVABLES

	At 31 July 2019 HK$'000	At 1 Aug 2018* HK$'000	At 31 July 2018 HK$'000
Current			
Prepayments *(Note (a))*	**12,584**	310	310
Deposits paid	**1,413**	882	882
Other receivables *(Note (b))*	**6,816**	1,950	1,950
	20,813	3,142	3,142
Less: Provision for impairment	**(326)**	(326)	—
	20,487	2,816	3,142
Non-current			
Deposits paid *(Note (c))*	**12,330**	—	—
Total	**32,817**	2,816	3,142

* The amounts in this column are after the adjustments from the application of HKFRS 9.

Upon the initial application of HKFRS 9, an opening adjustment as at 1 August 2018 was made to recognise ECLs on deposits paid and other receivables.

Notes:

(a) At 31 July 2019, the balance includes an amount of approximately HK$6,562,000 (2018: nil) which relates to prepaid rentals paid in advance to certain landlords for leasing of commercial properties in relation to the operating of property sub-leasing business in PRC.

At 31 July 2019, the balance also includes an amount of approximately HK$5,265,000 (2018: nil) which relates to prepaid costs paid to certain sub-contractors in relation to the contracts for contracting and interior design and decoration works entered into by the Group, which would be utilised as sub-contracting costs incurred within the next financial year.

(b) Balance amounting to approximately HK$480,000 (2018: nil) as at 31 July 2019 arose from provision of management services to Mr. Lin Ye, a director and shareholder of the Company. This balance was unsecured, interest-free and repayable on demand.

Balance amounting to approximately HK$2,656,000 (2018: approximately HK$866,000) as at 31 July 2019 arose from payments paid on behalf of a major sub-contractor, which is an independent third party, for the progress billings from its vendors under contracting services. This other receivable was fully refunded to the Group subsequent to the end of the reporting period in August 2019.

Balance amounting to approximately HK$2,150,000 (2018: nil) as at 31 July 2019 related to the compensation on the poor performance works by the sub-contractor, which is an independent third party, whereby the Group incurred additional costs for rectification works under contracting services. This other receivable was fully repaid to the Group subsequent to the end of the reporting period in August 2019.

12. PREPAYMENTS, DEPOSITS PAID AND OTHER RECEIVABLES – *continued*

Notes: – continued

(c) The non-current deposits mainly represent the rental deposits paid to the lessors under the business segment of property sub-leasing. The deposits are refundable to the Group at the end of the lease terms.

13. CASH AND CASH EQUIVALENTS

	2019	2018
	HK$'000	HK$'000
Cash at banks	**40,059**	66,545
Bank deposit	**25,434**	—
Cash on hand	**25**	39
Cash and cash equivalents	**65,518**	66,584

Notes:

(a) The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	2019	2018
	HK$'000	HK$'000
HKD	**37,394**	66,580
Renminbi ("RMB")	**28,124**	4
	65,518	66,584

(b) Cash at banks and bank deposit earn interest at floating rates based on daily bank deposit rates.

(c) As at 31 July 2019, included in cash and cash equivalents of the Group is approximately HK$28,120,000 (2018: nil) of cash at banks and bank deposit denominated in RMB placed with the banks in the PRC. RMB is not a freely convertible currency; however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through the banks authorised to conduct foreign exchange business in the PRC.

14. TRADE AND OTHER PAYABLES, CONTRACT LIABILITIES AND DEPOSITS RECEIVED

	At 31 July 2019 HK$'000	At 1 Aug 2018* HK$'000	At 31 July 2018 HK$'000
Current			
Trade payables *(Note (a))*	**37,490**	5,245	5,245
Receipts in advance	**6,019**	—	866
Deposits received *(Note (d))*	**4,817**	—	—
Accruals and other payables *(Note (b))*	**4,328**	1,645	1,645
	52,654	6,890	7,756
Contract liabilities *(Note (c))*	**1,392**	870	—
	54,046	7,760	7,756
Non-current			
Deposits received *(Note (d))*	**12,697**	—	—
	66,743	7,760	7,756

* The amounts in this column are after the adjustments from the application of HKFRS 15.

Notes:

(a) No credit period is granted by suppliers (2018: nil).

The ageing analysis of trade payables based on the invoice date is as follows:

	2019 HK$'000	2018 HK$'000
0 – 30 days	**19,994**	3,758
31 – 60 days	**9,988**	612
61 – 90 days	**4,470**	91
Over 90 days	**3,038**	784
	37,490	5,245

(b) Other payables include the balance amounting to approximately HK$1,000,000 (2018: nil) which was advanced from Mr. Yeung Wing Yan, who is a director of a subsidiary of the Company and he has been also appointed as a chief operating officer of the Company on 11 June 2019. This balance is unsecured, interest-free and repayable on demand.

14. TRADE AND OTHER PAYABLES, CONTRACT LIABILITIES AND DEPOSITS RECEIVED – *continued*

Notes: – continued

(c) The contract liabilities represent the Group's obligation to transfer performance obligation to customers for which the Group has received considerations from the customers.

Movements in contract liabilities

	HK$'000
At 1 August 2018	870
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(870)
Increase of receipts in advance from customers	1,384
Exchange realignment	8
At 31 July 2019	**1,392**

When the Group receives a deposit before the contracting and interior design and decoration works commence, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

The increase in contract liabilities in the year ended 31 July 2019 was mainly due to more advances received from customers under the newly geographical location of contracts for interior design and decoration works in the PRC.

(d) The deposits which mainly represent the rental deposits received under the business segment of property sub-leasing from the ultimate lessee. The deposits are refundable at the end of the lease terms.

15. SHARE CAPITAL

	Number of ordinary shares '000	Ordinary shares HK$'000
Ordinary shares of HK$0.01 each:		
Authorised:		
As at 1 August 2017, 31 July 2018, 1 August 2018 and 31 July 2019	**2,000,000**	**20,000**

	Number of ordinary shares '000	Ordinary shares HK$'000
Issued and fully paid:		
As at 1 August 2017, 31 July 2018, 1 August 2018 and 31 July 2019	**411,200**	**4,112**

16. ACQUISITION OF A SUBSIDIARY

Pursuant to the equity transfer agreement (the "**Agreement**") dated 17 September 2018 entered into between the Company and an independent third party to acquire all the equity interest in Shenzhen Zhongshenguotou Assets Management Company Limited# (深圳中深國投資產管理有限公司) ("**ZSGT**") (the "**Acquisition**") at an aggregate cash consideration of approximately HK$11,648,000.

ZSGT is principally engaged in provision of property management service and property sub-leasing in the PRC. The directors of the Company considered that the Acquisition allows the Group to explore a new income steam, diversify the Group's business segments of interior design and decoration works by entering into the PRC market and engage in the business of the provision of property sub-leasing in the PRC which can improve the Group's revenue and results. The Acquisition was completed on 8 November 2018.

Further details are set out in the Company's announcements dated 17 September 2018 and 15 October 2018.

	As at 8 November 2018 HK$'000
Fair value of assets acquired and liabilities assumed at the date of the Acquisition are as follows:	
Property, plant and equipment *(Notes (a) and 10)*	2,129
Intangible assets *(Notes (a))*	1,140
Trade receivables	433
Prepayments, deposits paid and other receivables *(Note (b))*	17,322
Cash and cash equivalents	2,197
Trade payables	(65)
Other payables and accruals and deposits received	(11,453)
Deferred tax liabilities	(285)
Total identifiable net assets at fair value	11,418
Goodwill *(Notes (c))*	230
	11,648
Cash consideration	11,648
Bank balances and cash in subsidiary acquired	(2,197)
Net cash outflow on the Acquisition	9,451
Acquisition-related costs (included in administrative and other operating expenses)	120

For identification purpose only

16. ACQUISITION OF A SUBSIDIARY – *continued*

Notes:

(a) The fair value of property, plant and equipment and intangible assets at the date of acquisition was valued by an independent qualified valuer not connected to the Group, by reference to depreciated replacement cost approach for the various categories of property, plant and equipment and the income approach based on the current market rates of the acquired leases contracts.

(b) The gross contractual undiscounted balance of prepayments, deposits paid and other receivables amounted to approximately HK$18,273,000. The fair value of these deposits and other receivable at the acquisition date were estimated to be approximately HK$17,322,000 based on an assessment of the expected credit risks of the balances, which were determined based on the estimated credit risk of the debtors, over the expected list of the debtors and are adjusted for forward-looking information that was available without undue cost or effort.

(c) Goodwill was arisen from a number of factors including the expected fast growing property sub-leasing business in PRC. These benefits were not recognised separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

(d) The acquired business contributed revenue of approximately HK$58,827,000 and net profit of approximately HK$4,965,000 for the period from 8 November 2018 to 31 July 2019. If the Acquisition had occurred on 1 August 2018, consolidated revenue and consolidated loss for the year ended 31 July 2019 would have been approximately HK$112,870,000 and approximately HK$2,442,000 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of civil engineering consulting, contracting, project management and interior design and decoration services as well as office sub-leasing.

The Board completed its review of the Group's business operation in early 2019. At the board meeting held in February 2019, the Board approved the business development direction that, the Group shall continue its original businesses of provision of contracting, project management and civil engineering consulting businesses ("**Original Businesses**"). Since it will take time for the Group to revitalize the Original Businesses, the Board also resolved to develop the sub-leasing as well as the interior design and decoration businesses in order to have stable source of revenue.

Leveraging on the efforts of the Directors and its staff, the Group actively implemented the aforesaid Board decision and made a number of achievements in each of its business segments in the year ended 31 July 2019.

1. Sub-leasing business segment

To expand the Group's business to the PRC and to secure an additional stable source of revenue, the Group completed its acquisition of 100% equity interest in Shenzhen Zhongshenguotou Assets Management Co., Ltd* (深圳中深國投資產管理有限公司) ("**ZSGT**"), a company established in the PRC with limited liability, on 8 November 2018.

The principal business of ZSGT is sub-leasing of office premises, which can be further sub-categorised into 3 types, targeting at different clientele:

- sub-leasing of premises;
- sub-leasing management; and
- co-work space

(a) Sub-leasing of premises

Sub-leasing of premises involves provision of small scale (between 100 m^2 to 500 m^2) sub-divided office premises at grade A commercial buildings with stylish decoration at affordable price embedding co-use/sharing concept. Target customers are entrepreneurs, start-up business and small scale companies. As at 31 July 2019, the Group leased 5 large scale properties at Futian (福田), Nanshan (南山) and Baoan (寶安) districts of Shenzhen with total floor area of approximately 20,046 m^2. Majority of the partitioned sub-leasing projects are equipped with centralised medium to large scale conference rooms housing 20 to 180 participants for the co-use of sub-tenants. Sub-tenants can have access to all the conference rooms managed by the Group with pre-appointment.

* *For identification purpose only*

(b) Sub-leasing management

Sub-leasing management refers to the service of the Group that it (i) searches for premises based on customer's specifications; (ii) enter into head lease with the landlord by the Group; and (iii) sub-leases that premises to the customer. All the leasing and property management matters of the premises are handled by the Group so that the customer can be hassle-free and is only required to deal with the Group rather than the original landlord and other parties for all leasing and property management matters. The time and cost thus saved by the customers in engaging the services of the Group would, in turn, help our customers to focus on its business or other revenue-generating business activities. Target customers are nationwide asset management companies, insurance companies, finance company and other companies which operate a number of branches or service centres.

As at 31 July 2019, the Group's sub-leasing management services cover three cities, namely Shenzhen, Beijing, Shanghai and 13 other provinces of the PRC, namely Guangdong (廣東), Guangxi (廣西), Jiangxi (江西), Hubei (湖南), Hunan (湖北), Hainan (海南), Hebei (河北), Fujian (福建), Jilin (吉林), Shangdong (山東), Xichuan (四川), Ningxia (寧夏) and Inner Mongolia (內蒙古), with total floor areas of approximately 43,899 m^2.

(c) Co-work space

The Group operates one co-work space centre (i.e. an advanced form of business centre) at a grade A commercial building located at Nanshan district of Shenzhen, which is Shenzhen's focal development area for hi-tech and innovative businesses. Target customers of the co-work space centre are entrepreneurs and start-up business. The co-work space centre offers:

(i) rental of office space or dedicated desks;

(ii) rental of private office room/booth;

(iii) conference rooms; and

(iv) auxiliary services (e.g. provision of registered office for business licence registration purpose, front-desk and guest reception, business-class printing, mail and packing handling as well as other secretarial services);

to customers and sub-tenants of ZSGT's other leased properties in which charges are calculated based on the membership plan subscribed, which is very flexible ranging from hourly usage plan to monthly usage plan, purchased by customers and/or actual usage.

The Board believes that the sub-leasing business segment has a strong growth potential in view of the following:

(i) the PRC government's preferential policy to encourage innovation and start-up businesses in recent years resulting in the setting up of a vast number of small-scale companies and the annual increase in the number of start-up companies which has in turn led to increasing demand for small-sized offices in the PRC;

(ii) the concept of "co-use/sharing offices" has become more popular and widely accepted in the PRC in recent years as it offers a more flexible and affordable way for entrepreneurs to start-up and grow their businesses; and

(iii) the co-use of centralised conference rooms which is one of the value-added services offered by the Group is well received by its customers as they can achieve cost-saving by renting smaller office premises which do not equip with conference rooms.

The sub-leasing business has proven to be a success to the Group. Since completion of the acquisition of ZSGT in November 2018, the sub-leasing business contributed segment revenue of approximately HK$35.3 million with segment profit of approximately HK$5.0 million to the Group in the year ended 31 July 2019. As majority of the sub-tenants' leases with the Group are for 2 to 3 years and the total floor area leased by the Group for sub-leasing is increasing, the Company believes that the sub-leasing business will continue to provide stable source of revenue to the Group in future.

As the Group finds that the sub-leasing of premises and sub-leasing management businesses are more profitable with less market competition, the Group intends to allocate more of its resources to the sub-leasing of premises and sub-leasing management business while adopting a comparatively proactive approach in its further investments on addition of further co-work space centre.

2. Interior design and decoration business segment

Hong Kong

The Group's interior design and decoration business in Hong Kong is conducted via its 51% owned subsidiary, New Brio Engineering Limited ("**NBE**"). The scope of the interior design and decoration business of the Company covers interior design and decoration services for private offices and residential properties, and other small-scaled projects.

The in-house design department of the Group is mainly responsible for the residential interior design projects. For decoration services of private offices and residential properties, and other small-scaled projects, project managers of the Group (the "**Project Managers**") are responsible for identifying suitable vendors and suppliers across different fields for providing resources and services such as fire safety equipment, air-conditioning and mechanical ventilation system, interior fitting out and electrical works, etc. The Group has outsourced the relevant tasks to the appropriate vendors and suppliers under the supervision of the Project Managers in order to reach customers' expectation.

This business segment maintained a steady growth in the years ended 31 July 2017 and 2018. Since the Group's interior design and decoration business is on project base, fluctuation in the quarterly revenue of this business segment is inevitable. Although this business segment in Hong Kong only recorded revenue of approximately HK$2.4 million in the first half of the year ended 31 July 2019, it had a remarkable growth in the 2nd half of the year ended 31 July 2019 as the Group was able to secure more contracts via the effort of its management team.

The PRC

Leveraging on the Group's experience and expertise accumulated since the commencement of its interior design and decoration business segment in mid-2016, the Group expanded its interior design and decoration business from Hong Kong to the PRC by setting up an interior design and decoration team under ZSGT in the 2nd half of the year ended 31 July 2019.

The premises offered by ZSGT to its sub-tenants are fully decorated in which sub-tenants can move in immediately with their own furniture once they signed a sub-lease agreement with ZSGT. In order to allow ZSGT to partition and/or decorate premises for sub-leasing to customers at the soonest possible and in view of the increase in number of properties newly leased by ZSGT which create a strong demand for interior design and decoration works, ZSGT sets up its own in-house interior design and decoration team for provision of such services to (i) its leased properties internally, (ii) those external sub-tenants who require additional design and decoration services; and (iii) other external customers which are not its sub-tenants. ZSGT is responsible for the overall design, purchasing and project management. Appropriate external workers/contractors are engaged to implement the design plans under ZSGT's supervision.

In the year ended 31 July 2019, the Group provided interior design and decoration service in the PRC to both of sub-tenants and customers which were not related to the sub-leasing business. Since the design and decoration team in the PRC was newly set up, it has limited manpower and currently prioritises its work to satisfy the requests of subleasing customers first. The Group will further enhance the manpower of the interior design and decoration team and expand its fleet in the PRC in the year ending 31 July 2020 and afterward in order to enhance the capability to take up more contracts from sub-leasing non-related customers.

3. Original Businesses

In order to secure new contracts for the Original Businesses notwithstanding the sluggish condition in Hong Kong construction industry, the Group has adopted a more aggressive approach in seeking new contracts which including but not limited to relaxing payment terms of its contracts so as to increase its competitiveness.

Also, the Board has decided that for those contracts sourced by the Group's own effort in Hong Kong, the Group will perform such contracts via KSL Engineering Limited, its wholly-owned subsidiary in Hong Kong, whereas those contracts sourced by Mr. Yeung, the ultimate beneficial owner of the remaining 49% shares in NBE will be continue to be handled by NBE. KSL Engineering Limited was incorporated in 2009 and has been one of the operating subsidiaries of the Company prior to the listing of the Company on GEM.

OUTLOOK

The audited results of the Group for the year ended 31 July 2019 proves that the Group is back to the right track as its revenue and gross profit have substantially increased whereas its net loss has materially decreased. Since it will take time for the Group to revitalize the Original Businesses, the fast growing sub-leasing as well as the interior design and decoration businesses provide stable source of revenue to the Group and improve the Group's profitability. Expansion of the Group's business to the PRC also allows the Group to maintain its growth momentum and reduce its reliance on a single market especially in view of the current adverse market condition in Hong Kong.

Looking forward, the Directors are optimistic on the development of the Original Businesses as the HKSAR Government has implemented different policies such as "Long Term Housing Strategies" and "Lantau Tomorrow" in the Chief Executive's 2018 Policy Address on 10 October 2018, which will revitalise Hong Kong's construction engineering industry. Furthermore, one of the major property developers in Hong Kong recently announced that it would donate 3 million square feet of farmland to the HKSAR Government and toward charity for building public homes. The first part of the donation, comprising 28,000 square feet of land next to the Tin Shui Wai MTR station, will be turned into 100 three-storey homes measuring 300 square feet each by 2022. It is anticipated that more of such land donation from the major developers in Hong Kong will follow. This will in turn benefit the civil engineering industry in Hong Kong which the Board believes would be positive to the business performance of the Group.

As stated before, the Board has resolved to focus the Group's business on the aforesaid three business segments at its meeting held in February 2019 and the Board believes that these three business segments, namely, (i) the Original Businesses; (ii) interior design and decoration; and (iii) sub-leasing, are the three pillars supporting the revitalization of the Group's businesses, improving its financial performance and contributing to the growth of the Group.

FINANCIAL REVIEW

Revenue and Segment Information

In the year ended 31 July 2019, the Group's total revenue has materially increased by 177.4% to approximately HK$103.2 million (2018: approximately HK$37.2 million). This material change was mainly due to:

(i) 39.9% increase in revenue of the Group's interior design and decoration business in Hong Kong to approximately HK$36.8 million (2018: approximately HK$26.3 million); and

(ii) expansion of the Group's business to sub-leasing and interior design and decoration businesses in the PRC.

(a) Interior design and decoration

In the year ended 31 July 2019, the Group's revenue from interior design and decoration segment has increased by 129.7% to approximately HK$60.4 million (2018: approximately HK$26.3 million), in which approximately HK$36.8 million (2018: approximately HK$26.3 million) was generated from Hong Kong and approximately HK$23.6 million was generated from the PRC (2018: nil).

Since the Group's interior design and decoration business is on project base, the fluctuation in the revenue of this business segment is inevitable. Although the Group's interior design and decoration business in Hong Kong only recorded revenue of approximately HK$2.4 million in the first half of the year ended 31 July 2019, the Group made a remarkable growth in the 2nd half of the year ended 31 July 2019 and achieved segment revenue of approximately HK$36.8 million in the year under review as the Group was able to secure more contracts via the effort of its management team.

Due to the synergy effect with its sub-leasing business and with the assistance of its newly appointed chief operating officer, the Group expanded its interior design and decoration business to the PRC since the 2nd half of the year ended 31 July 2019 and achieved segment revenue in the PRC of approximately HK$23.6 million in the year under review. Customers of the Group's interior design and decoration business in the PRC include both customers of its sub-leasing business and sub-leasing non-related customers.

(b) Sub-leasing

The Company completed the acquisition of ZSGT in November 2018 which has proven to be successful as the Group recorded segment revenue from sub-leasing in the PRC of approximately HK$35.3 million in the year ended 31 July 2019.

(c) Original Businesses

Revenue from the Original Businesses has decreased by 31.2% from approximately HK$10.9 million in the year ended 31 July 2018 to approximately HK$7.5 million in the year ended 31 July 2019 due to the adverse market condition in Hong Kong.

Cost of Sales

In line with the increase in revenue of the Group, cost of sales of the Group for the year ended 31 July 2019 increased to approximately HK$85.5 million, representing an increase of 154.5% (2018: approximately HK$33.6 million). The major cost items of the Group include sub-contracting charge, rental expenses and material cost etc. as well as lease payment under operating lease.

Gross Profit

In the year ended 31 July 2019, gross profit of the Group had materially increased by 391.7% to approximately HK$17.7 million (2018: approximately HK$3.6 million) with gross profit margin of 17.2% (2018: 9.7%). The material increase in the gross profit margin of the Group reflected the improvement in its profitability.

Other Income and Net Gains

In the year ended 31 July 2019, the Group's other income and net gains decreased by 43.8% to approximately HK$2.7 million (2018: approximately HK$4.8 million). The major reason for the change was because compared with the gain on disposal of subsidiaries of approximately HK$3.0 million in the year ended 31 July 2018, the Group only recorded gain on disposal of subsidiaries of approximately HK$0.1 million in the year ended 31 July 2019.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses decreased by 12.2% to approximately HK$20.8 million in the year under review (2018: approximately HK$23.7 million). Such decrease was primarily due to the decrease in staff costs of approximately HK$3.2 million as a result of the Company's disposal of its entire 51% interest in Harvest Group Holdings Limited ("**Harvest Group**") in October 2018 and tightened cost control measures implemented.

Income Tax Expense

The Group's operations in Hong Kong is subject to profits tax rate in Hong Kong at a flat rate of 16.5% and the PRC Enterprise Income Tax (the "**EIT**") for its operations in the PRC at the rate of 25%.

Since the Group had unutilised tax loss brought forward in Hong Kong, no profits tax was charged for the year ended 31 July 2019 (2018: approximately HK$0.5 million) despite the profitability of its Original Businesses and interior design and decoration business segment in Hong Kong in the year ended 31 July 2019.

EIT of approximately HK$2.5 million is payable by the Group in the PRC due to the profitability of its operations in the PRC.

After inclusion of the impact of deferred tax of approximately HK$0.1 million, the total income tax expense of the Group for the year ended 31 July 2019 was approximately HK$2.4 million (2018: approximately HK$0.5 million).

Loss before Income Tax and Loss for the Year

Loss of the Group before income tax had materially decreased by 93.4% to approximately HK$1.2 million for the year ended 31 July 2019, compared with approximately HK$18.2 million in the year ended 31 July 2018.

Loss of the Group for the year under review (i.e. loss after income tax) had materially decreased by 80.2% to approximately HK$3.7 million (2018: approximately HK$18.7 million).

As disclosed in the interim report of the Company for the six months ended 31 January 2019, the Group recorded loss before income tax of approximately HK$7.6 million and loss after income tax of approximately HK$7.8 million for the six months ended 31 January 2019. The aforesaid material decrease in loss before and after income tax for the year ended 31 July 2019 proved that the Group was profitable in the second half of year ended 31 July 2019 and the reason for the audited loss for the year under review was mainly due to the loss incurred by the Group in the first half of the year ended 31 July 2019, which was prior to redefinition of business focus of the Group and thus no effective measures were taken to improve its business at that time.

Profit/(loss) attributable to Non-Controlling Interests ("NCI")

In the year ended 31 July 2019, the Group's operation in Hong Kong was conducted via NBE, its 51% owned subsidiary.

In the year ended 31 July 2019, NBE had net profit of approximately HK$0.3 million, in which NBE's profit attributable to NCI was approximately HK$153,000.

The reason for the Group having profit attributable to NCI of approximately HK$3.4 million in the year ended 31 July 2019 was mainly because the Company disposed of loss-making 51% owned subsidiaries (i.e. Harvest Group) to an independent third party during the year ended 31 July 2019. Prior to the disposal, the Group waived an intercompany current account of approximately HK$6.10 million. Therefore, that 51% owned subsidiaries recorded a gain of approximately HK$6.10 million from the waiver, of which approximately HK$3.0 million was attributable to the 49% minority shareholder as profit attributable to NCI.

Final Dividend

The Board did not recommend the payment of a final dividend for the year ended 31 July 2019 (2018: nil).

Liquidity and Financial Resources

The Group maintained a healthy financial position in the year ended 31 July 2019. As at 31 July 2019, the Group had cash and cash equivalent of approximately HK$65.5 million (2018: approximately $66.6 million).

The current ratio as at 31 July 2019 was 2.2 (2018: 9.8).

Gearing Ratio

The gearing ratio of the Group as at 31 July 2019 was nil (2018: nil) as the Group did not have any material debt financing during the year.

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 July 2019. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Pledge of Assets

As at 31 July 2019, the Group did not have any charges on its assets (2018: nil).

Foreign Exchange Exposure

Most of the Group's bank balances and income are denominated in either Renminbi or Hong Kong dollars. The Group has not experienced any material difficulties or negative impacts on its operations as a result of fluctuations in currency exchange rates. The Board considered that no hedging of exchange risk is required and accordingly, there were no financial instruments being used for hedging purposes during the year ended 31 July 2019. Nevertheless, the management will continue to monitor the Group's foreign exchange exposure and will take prudent measures as and when appropriate.

Capital Structure

There was no change in the capital structure of the Company since its listing on GEM on 5 December 2014 and no fund raising activity was conducted during the year under review.

As at 31 July 2019, the share capital and equity attributable to owners of the Company amounted to approximately HK$4.1 million and HK$73.8 million respectively (2018: approximately HK$4.1 million and HK$81.2 million respectively).

Capital Commitments

As at 31 July 2019, the Group did not have any material capital commitments (2018: nil).

Contingent Liabilities

As at 31 July 2019, the Group did not have any material contingent liability (2018: nil).

Application of the Net Proceeds of the Placing

As at 31 July 2019, the Company had utilised in aggregate of approximately HK$14,981,000 out of the total net proceeds of approximately HK$22,200,000 (the "**Proceeds**") derived from the Company's placing in 2014. The Proceeds have been applied in accordance with the intended uses as previously disclosed in the Company's prospectus dated 28 November 2014 (the "**Prospectus**") and announcement dated 4 December 2018.

As the Company has been cautiously monitoring on its costs and expenses, the actual amount used in the applications of the Proceeds was less than the budgeted amount of the Proceeds. Details of the actual application of the Proceeds during the year ended 31 July 2019 are as follows:

Intended uses of the Proceeds	**Planned use of the Proceeds** HK$ *(approximately)*	**Actual use of the Proceeds up to 31 July 2019** HK$ *(approximately)*	**Actual use of the Proceeds for the year ended 31 July 2019** HK$ *(approximately)*
(1) Further developing the contracting business of the Company	15,000,000	8,070,000	—
(2) Strengthening in-house team of engineering staff of the Company	5,000,000	2,064,000	—
(3) Developing more efficient in-house computer programs of the Company	2,000,000	847,000	—
(4) General working capital	—	4,000,000	4,000,000
Total	**22,000,000**	**14,981,000**	**4,000,000**

As at 31 July 2019, the unutilised Proceeds amounted to approximately HK$7,019,000. The Company intends to apply the said unutilised Proceeds for development of the Company's sub-leasing business in the PRC.

Human Resources Management

As at 31 July 2019, the Group had 44 (2018: 22) employees, including the Directors. The material increase in staff number was resulted from expansion of the Group's operation in the PRC. However, since the Group disposed of Harvest Group in October 2018 and had controlled its costs stringently, the Group's total staff costs (including Directors' emoluments) for the year ended 31 July 2019 decreased to approximately HK$10.9 million (2018: approximately HK$14.1 million) notwithstanding increase in staff number.

The Group promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff, competitive remuneration package is offered to employees (with reference to market norms and individual employees' performance, qualification and experience).

On top of basic salaries, bonuses may be paid with reference to the Group's performance as well as individual's performance. Other staff benefits include provision of retirement benefits, medical benefits and sponsorship of training courses. The emoluments of the Directors were reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance, and approved by the Board.

Significant Investments Held

Except for investment in its subsidiaries, the Group did not hold any significant investment in equity interest in any other company.

Material Acquisitions, De-registration and Disposals of Subsidiaries and Affiliated Companies

The Group did not have any material acquisitions, de-registration and disposals of subsidiaries and affiliated companies for the year ended 31 July 2019, save as follows:

(i) On 17 September 2018, the Group entered into an agreement with an independent third party for the acquisition of 100% equity interest of ZSGT at a cash consideration of approximately HK$11,648,000. ZSGT was a company incorporated in the PRC with limited liabilities in the year of 2015. The acquisition of ZSGT was completed on 8 November 2018 and ZSGT has become an indirect wholly-owned subsidiary of the Company since then. The Group settled the consideration of the acquisition from its internal resources;

(ii) During the year ended 31 July 2019, the Group disposed of its entire equity interest in Harvest Group, a 51% indirectly owned subsidiary, for a consideration of approximately HK$7,000 to an independent third party. Harvest Group is an investment holding company in Hong Kong with eight 100% wholly-owned subsidiaries which principal business is provision of interior design and decoration services in Hong Kong. The disposal of Harvest Group with its eight subsidiaries was completed on 12 October 2018, since then, the Group has no equity interest in and control over Harvest Group. Gain on disposal of subsidiaries of approximately HK$73,000 was recognised as other income and gains in the consolidated statement of profit or loss and other comprehensive income;

    Prior to the disposal, the Group waived an amount due from Harvest Group of approximately HK$6.1 million. Therefore, Harvest Group recorded a profit of approximately HK$6.1 million in which approximately HK$3.0 million was treated as profit attributable to NCI, i.e. the 49% minority shareholder, in the consolidated statement of profit or loss and other comprehensive income; and

(iii) A 60% indirectly owned subsidiary of the Group applied for deregistration in Hong Kong during the year. The deregistration was completed on 4 January 2019, resulting in loss on deregistration of a subsidiary of approximately HK$12,000 to the Group for the year ended 31 July 2019.

DISCLOSURE OF INTERESTS

A. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 July 2019, the interests and short positions of the Directors and chief executive of the Company in the shares (the "**Shares**"), underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong (the "**SFO**")) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in the Shares

Name of Directors	Capacity	Number of ordinary shares interested (Long position)	Approximate percentage of shareholding
Mr. Lin Ye *(Note 1)*	Beneficial owner	29,513,000	7.18%
	Interest in a controlled corporation	86,534,000	21.04%

Save as disclosed above and so far as is known to the Directors, as at 31 July 2019, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Note:

1. 86,534,000 Shares are held by Sonic Solutions Limited as a beneficial owner. The entire issued share capital of Sonic Solutions Limited is wholly-owned by Mr. Lin Ye. As such, Mr. Lin Ye is deemed to be interested in 86,534,000 Shares held by Sonic Solutions Limited.

B. Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 July 2019, so far as was known to the Directors, the interests and short positions of the following persons (other than the Directors or chief executive of the Company) or entities which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were requested to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

Names of Shareholders	Nature of interest	Number of Shares *(Note 1)*	Approximate percentage of shareholding
Sonic Solutions Limited *(Note 2)*	Beneficial owner	86,534,000	21.04%
Jing Shiqi *(Note 3)*	Interest in a controlled corporation	60,000,000	14.59%
Wealth Triumph Corporation *(Note 3)*	Beneficial owner	60,000,000	14.59%
Liu Guo Ping	Beneficial owner	54,833,000	13.33%
Li Song	Beneficial owner	34,738,000	8.45%
Xia Yuqing	Beneficial owner	32,135,000	7.81%
Pan Guorong	Beneficial owner	30,000,000	7.30%

Notes:

1. Interests in Shares stated above represent long positions.

2. The entire issued share capital of Sonic Solutions Limited is wholly-owned by Mr. Lin Ye, an executive director of the Company.

3. Jing Shiqi beneficially owns the entire issued share capital of Wealth Triumph Corporation which in turns hold 60,000,000 Shares. As such, Jing Shiqi is deemed, or taken to be, interested in all the Shares held by Wealth Triumph Corporation for the purposes of the SFO. Jing Shiqi is the sole director of Wealth Triumph Corporation.

Save as disclosed above, as at 31 July 2019, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Disclosure of Interest" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

COMPETITION AND CONFLICT OF INTEREST

Having made specific enquiry of all Directors, during the year ended 31 July 2019, none of the Directors nor their respective close associates (as defined in the GEM Listing Rules) had held any position or had interest in any businesses or companies that were or might be materially competing with the business of the Group, or gave rise to any concern regarding conflict of interests.

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

During the year ended 31 July 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

During the year ended 31 July 2019, save as disclosed in this announcement, the Company had complied with the applicable code provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix 15 to the GEM Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the year ended 31 July 2019, there have been no chief executive in the Company. Mr. Lin Ye was appointed as the Chairman of the Board on 12 October 2018, and is responsible for the overall management and formulation of business strategy of the Group.

The Board does not have the intention to fill the position of the chief executive of the Company as at the date of this announcement and believes the absence of chief executive will not have any adverse effect to the Company, as decisions of the Company will be made collectively by the executive Directors. The Board will keep reviewing the current structure of the Board and the need of appointment of a suitable candidate to perform the role of chief executive. Appointment will be made to fill the post to comply with code provision A.2.1 of the CG Code if necessary.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares of the Company (the "**Code of Conduct**"). Having made specific enquiries of the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the year ended 31 July 2019.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 19 November 2014 (the "**Scheme**"). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. No share options has been granted since the adoption of the Scheme and there were no share option outstanding as at 31 July 2019.

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information that is publicly available to the Company, at least 25% of the Company's issued share capital were held by the public as at the date of this announcement.

AUDITORS

Moore Stephens CPA Limited ("**Moore**") has been appointed as the auditor of the Group with effect from 11 June 2019 to fill the casual vacancy following the resignation of HLB Hodgson Impey Cheng Limited and will hold office until the conclusion of the next annual general meeting of the Company.

Moore shall retire in the forthcoming annual general meeting (the "**AGM**") and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Moore as auditor of the Company will be proposed in the forthcoming AGM.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") on 19 November 2014 with its written terms of reference in compliance with paragraphs C.3.3 and C.3.7 of the Code. The primary duties of the Audit Committee are to review and supervise the Group's financial reporting process, risk management and internal control system of the Group, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance. As at the date of this announcement, the Audit Committee consists of three members, namely Ms. Kwong Ka Ki (Chairperson), Mr. Yu Hua Chang and Ms. Guo Liying.

DECISION FROM THE STOCK EXCHANGE TO SUSPEND THE TRADING OF OUR SHARES UNDER RULE 17.26 OF THE GEM LISTING RULES

On 3 May 2019, the Stock Exchange issued a decision letter that the Company has failed to maintain a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated to the Stock Exchange to warrant its continued listing under GEM Listing Rule 17.26 and the circumstances of the Company to be an extreme case which warrants a trading suspension of the Company's shares under GEM Listing Rule 9.04(3) (the "**Decision**").

On 10 May 2019, the Company applied for a review on the Decision and the Company's review on the Decision was heard by the GEM Listing Committee on 17 July 2019.

On 29 July 2019, the GEM Listing Committee informed the Company that the GEM Listing Committee decided to uphold the Decision (the "**LC Decision**"). On 2 August 2019, the Company applied for a review on the LC Decision by the GEM Listing (Review) Committee. For more details, please refer to the announcements of the Company dated 2 August 2019, 29 July 2019, 10 May 2019 and 3 May 2019 respectively.

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming AGM of the Company will be held on 28 November 2019 (Thursday), at 11:00 a.m., at Room 1703–1704, 17th Floor World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong.

For determining entitlement to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from 25 November 2019 (Monday) to 28 November 2019 (Thursday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, all transfers of shares accompanied by the relevant share certificates and transfer forms 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 before 4:30 p.m. on 22 November 2019 (Friday).

APPRECIATION

The Board would like to express its sincere gratitude to our Shareholders, customers, subcontractors and business partners for their continuous support, and to our management and staff members for their diligence, dedication and contribution to the growth of the Group.

By Order of the Board
China All Nation International Holdings Group Limited
Lin Ye
Chairman

Hong Kong, 10 October 2019

As at the date of this announcement, the executive Directors are Mr. Lin Ye, Mr. Au Siu Chung, Mr. Long Jie, Mr. Yuan Shuang Shun and Ms. Xiao Yi Liao Ge; and the independent non-executive Directors are Ms. Kwong Ka Ki, Mr. Yu Hua Chang and Ms. Guo Liying.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the "Latest Company Announcements" page of the Stock Exchange's website at www.hkexnews.hk for 7 days from the date of its posting. This announcement will also be posted on the Company's website at www.allnationinternational.com.