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 2020

CHARACTERISTICS OF 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 2020

In the year ended 31 July 2020:

(1) the Group's total revenue has materially increased by 82.6% to approximately HK$188.4 million (2019: approximately HK$103.2 million) which was mainly due to:

  (i) increase in revenue of the Group's interior design and decoration business to approximately HK$92.8 million (2019: approximately HK$60.4 million); and

  (ii) increase in revenue of the Group's property sub-leasing and management business in the PRC to approximately HK$85.2 million (2019: approximately HK$35.3 million).

(2) gross profit of the Group has materially increased by 230.9% to approximately HK$58.5 million (2019: approximately HK$17.7 million)

(3) gross profit margin increased to 31.0% (2019: 17.2%)

(4) the business of the Group recorded a profit of approximately HK$11.8 million for the year ended 31 July 2020, which represented a turnaround from a loss of approximately HK$3.7 million for the year ended 31 July 2019

(5) the Company recorded a profit attributable to the owners of the Company of approximately HK$11.7 million for the year ended 31 July 2020 as compared to a loss attributable to the owners of the Company in the amount of approximately HK$7.1 million for the year ended 31 July 2019

(6) basic and diluted earnings per share based on weighted average number of ordinary shares was approximately HK2.83 cents (2019: loss per share of approximately HK1.71 cents)

The Board did not recommend the payment of a final dividend for the year ended 31 July 2020 (2019: Nil).

ANNUAL RESULTS FOR THE YEAR ENDED 31 JULY 2020

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 2020 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 2020

	Notes	**2020**	2019
		HK$'000	HK$'000
Revenue	4	**188,422**	103,165
Cost of services		**(129,927)**	(85,489)
Gross profit		**58,495**	17,676
Other income and gains	5	**4,206**	2,738
Administrative and other operating expenses		**(20,624)**	(20,812)
Impairment loss allowance on trade receivables, contract assets and finance lease receivables, net		**(50)**	(811)
Finance costs		**(21,075)**	–
Profit/(loss) before income tax	6	**20,952**	(1,209)
Income tax expense	7	**(9,189)**	(2,442)
Profit/(loss) for the year		**11,763**	(3,651)
Other comprehensive (loss)/income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(731)**	88
Total comprehensive income/(loss) for the year, net of income tax		**11,032**	(3,563)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 July 2020

	Notes	**2020** **HK$'000**	2019 HK$'000
Profit/(loss) for the year attributable to:			
Owners of the Company		**11,650**	(7,051)
Non-controlling interests		**113**	3,400
		11,763	(3,651)
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**10,919**	(6,963)
Non-controlling interests		**113**	3,400
		11,032	(3,563)
Earnings/(loss) per share attributable to the owners of the Company			
– Basic and diluted earnings/(loss) per share (HK cents)	8	**2.83**	(1.71)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2020

	Notes	**2020** **HK$'000**	2019 HK$'000
Non-current assets			
Property, plant and equipment	10	**1,314**	3,087
Investment properties		**95,937**	–
Right-of-use assets		**1,155**	–
Finance lease receivables		**52,864**	–
Goodwill	16	**230**	230
Intangible assets		**–**	882
Deposits paid	12	**21,935**	12,330
		173,435	16,529
Current assets			
Trade receivables	11	**21,661**	21,078
Contract assets	11	**22,651**	18,334
Finance lease receivables		**45,342**	–
Prepayments, deposits paid and other receivables	12	**15,742**	20,487
Restricted cash	13	**1,635**	–
Cash and cash equivalents	13	**82,696**	65,518
		189,727	125,417
Current liabilities			
Trade and other payables	14	**43,574**	52,654
Contract liabilities	14	**430**	1,392
Lease liabilities		**72,179**	–
Tax payable		**4,844**	2,011
		121,027	56,057
Net current assets		**68,700**	69,360
Total assets less current liabilities		**242,135**	85,889

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 July 2020

	Notes	**2020 HK$'000**	2019 HK$'000
Non-current liabilities			
Deposits received	14	**18,683**	12,697
Deferred tax liabilities		**2,264**	220
Loan from a shareholder		**13,123**	–
Lease liabilities		**110,182**	–
		144,252	12,917
Net assets		**97,883**	72,972
Equity			
Share capital	15	**4,112**	4,112
Reserves		**94,521**	69,723
Equity attributable to owners of the Company		**98,633**	73,835
Non-controlling interests		**(750)**	(863)
Total equity		**97,883**	72,972

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2020

	Attributable to owners of the Company					
	Share capital HK$'000	**Share premium** HK$'000	**Other reserves** HK$'000	**Sub-total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
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)/income 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
Impact on initial application of Hong Kong Financial Reporting Standard 16 *(Note 3.1)*	–	–	7,314	7,314	–	7,314
Adjusted balance at 1 August 2019	**4,112**	**24,394**	**52,643**	**81,149**	**(863)**	**80,286**
Profit for the year	**–**	**–**	**11,650**	**11,650**	**113**	**11,763**
Other comprehensive loss for the year						
Exchange differences on translation of financial statements of foreign operations	**–**	**–**	**(731)**	**(731)**	**–**	**(731)**
Total comprehensive income for the year	**–**	**–**	**10,919**	**10,919**	**113**	**11,032**
Deemed capital contribution arising from non-current interest-free shareholder's loan	**–**	**–**	**6,565**	**6,565**	**–**	**6,565**
At 31 July 2020	**4,112**	**24,394**	**70,127**	**98,633**	**(750)**	**97,883**

1. GENERAL INFORMATION

China All Nation International Holdings Group Limited (the "**Company**") 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 GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). With effect from 1 November 2019, trading in the shares of the Company on GEM has been suspended.

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 2918, 29th Floor, Shui On Centre, No. 6–8 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.

These consolidated financial statements were approved for issue by the Board on 28 September 2020.

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. The Group has early applied the new amendment that is not yet mandatorily effective for the current year is discussed in note 3.2. Details of the changes in accounting policies are discussed in note 3.3.

2. BASIS OF PREPARATION – *continued*

2.2 Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 July 2020 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis. The functional currency of the Company, the investment holding subsidiaries incorporated in the British Virgin Islands (the "**BVI**") and subsidiaries incorporated in Hong Kong are Hong Kong dollars ("**HK$**") and subsidiaries established in the PRC have their functional currency in Renminbi ("**RMB**"). The consolidated financial statements have been presented in HK$ as the Directors consider that it is more appropriate to adopt HK$ as the Group's and the Company's presentation currency. All values are rounded to the nearest thousand except when otherwise indicated.

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 2019. In addition, the Group has early adopted Amendments to HKFRS 16, which is effective for annual period beginning on or after 1 June 2020, with effect from 1 August 2019 for the current year. Of these, the following developments are relevant to the Group's consolidated financial statements:

HKFRS 16	Leases
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle
Amendments to HKFRS 16	COVID-19-Related Rent Concessions (early adopted)

Except for the HKFRS 16 *Leases* ("**HKFRS 16**") as described below and further explained in note 3.2 regarding to the impact of the Amendment to HKFRS 16, the application of these new and amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or disclosures set out in these consolidated financial statements.

3.1 HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current period. HKFRS 16 superseded HKAS 17 *Leases* ("**HKAS 17**"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 August 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

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

3.1 HKFRS 16 Leases – *continued*

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 August 2019.

As at 1 August 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iii. elected not to assess whether a rent concession that meets the conditions in paragraph 46B of HKFRS 16 (COVID-19-Related Rent Concessions Amendment) is a lease modification.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates ("**IBR**") applied by the relevant PRC entities range from 8.76% to 9.13% and HK entities range from 7.93% to 8.08%.

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

3.1 HKFRS 16 Leases – *continued*

As a lessee – *continued*

	At 1 August 2019 HK$'000
Operating lease commitments disclosed as at 31 July 2019	228,034
Less: Low-value leases recognised on a straight-line basis as expense	(32)
Lease end with 12 months from the date of the initial application	(2,940)
Operating lease liabilities before discounting as at 31 July 2019	225,062
Effect from discounting at IBR as at 1 August 2019	(40,964)
Lease liabilities as at 1 August 2019	184,098
Analysed as	
Current	44,908
Non-current	139,190
	184,098

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

3.1 HKFRS 16 Leases – *continued*

As a lessee – *continued*

The carrying amount of right-of-use assets for own use, those under subleases relating to operating leases (classified as investment properties) and those under subleases relating to finance leases (classified as finance lease receivables) as at 1 August 2019 comprises the following:

	Notes	**Right-of-use assets** HK$'000	**Investment properties** HK$'000	**Finance lease receivables** HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	(f)	813	112,678	80,359
Add: favourable terms of operating leases arising from business combinations	(a)	–	882	–
Add: adjustments on advance payment at 1 August 2019		–	4,453	–
Add: accrued lease receivables relating to rent-free period and progressive rent at 1 August 2019	(e)	–	1,211	–
Less: accrued lease liabilities relating to rent-free period and progressive rent at 1 August 2019	(c)	–	(2,766)	(1,082)
Less: receipt in advance	(b)	–	–	(453)
		813	116,458	78,824

Notes:

(a) The Group previously recognised an intangible asset by applying HKFRS 3 (Revised) *Business Combinations* relating to favourable terms of an operating lease relating to lease contracts acquired in a business combination with finite useful lives. The carrying amount as at 1 August 2019 was derecognised by adjusting to investment properties.

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

3.1 HKFRS 16 Leases – *continued*

As a lessee – continued

Notes: – continued

(b) It relates to receipt in advance of several finance leases of leased properties under sublease. The carrying amount of the receipt in advance under trade and other payables as at 1 August 2019 was adjusted to finance lease receivables at transition.

(c) Rent-free period

These relate to accrued lease liabilities for leases of properties in which the Group provided rent-free period. The carrying amount of the lease incentive liabilities as at 1 August 2019 was adjusted to investment properties and finance lease receivables at transition.

Lease payments increase progressively over lease terms

These relate to accrued lease liabilities of several operating leases for leases of properties in which the rentals increase progressively by fixed annual percentage. The carrying amount of the accrued lease liabilities as at 1 August 2019 was adjusted to investment properties and finance lease receivables at transition at transition.

As an intermediate lessor

(d) The Group, as an intermediate lessor, has reclassified certain of its subleases agreements as finance leases. The leased assets of approximately HK$70,607,000 have been derecognised and finance lease receivables have instead been recognised. This change in accounting treatment changes the timing of recognition of the related revenue (recognised in finance income).

(e) Rent-free period

These relate to accrued lease receivables for leases of properties in which the Group provided rent-free period. The carrying amount of the lease incentive receivables as at 1 August 2019 was adjusted to investment properties at transition.

Lease receipts increase progressively over lease terms

These relate to accrued lease receivables of operating leases for leases of properties in which the rentals increase progressively by fixed annual percentage. The carrying amount of the accrued lease receivables as at 1 August 2019 was adjusted to investment properties at transition.

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

3.1 HKFRS 16 Leases – *continued*

Subleases

(f) At the date of initial application, leased properties under subleases were assessed and classified as an operating lease or a finance lease individually based on the remaining contractual terms and conditions of the head lease and the sublease at that date.

Certain leased properties under subleases of approximately HK$116,458,000 as at the date of initial application were classified as operating leases and transferred to investment properties of the Group. Investment properties are measured by using the cost model (as defined in note 3.3).

As 31 July 2020, the carrying amount of investment properties which were under subleases amounted to approximately HK$95,937,000. During the year ended 31 July 2020, income from subleasing these properties amounted to approximately HK$56,027,000 (Note 4), depreciation of these investment properties amounted approximately HK$37,635,000 were recognised in consolidated profit of loss.

Certain leased properties under subleases of approximately HK$72,006,000 as at the date of initial application were classified as finance leases and recognised the difference between the right-of-use assets and the net investment in the subleases consolidated in profit or loss.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets, investment properties, finance lease receivables, and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets, investment properties, finance lease receivables, and the related lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets, investment properties, finance lease receivables and lease liabilities separately. Temporary differences relating to right-of-use assets, investment properties, finance lease receivables, and lease liabilities are not recognised at initial recognition due to application of the initial recognition exemption.

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

3.1 HKFRS 16 Leases – *continued*

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 August 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 July 2019	**Impact of initial application of HKFRS 16**	**Carrying amounts under HKFRS 16 at 1 August 2019**
	HK$'000	HK$'000	HK$'000
Right-of-use assets	–	813	813
Investment properties	–	116,458	116,458
Finance lease receivables	–	54,469	54,469
Intangible assets	882	(882)	–
Total non-current assets	**16,529**	**170,858**	**187,387**
Finance lease receivables	–	24,355	24,355
Trade receivables	21,078	(1,723)	19,355
Prepayment, deposits paid and other receivables	20,487	(2,467)	18,020
Total current assets	**125,417**	**20,165**	**145,582**
Lease liabilities	–	(44,908)	(44,908)
Trade and other payables	(52,654)	2,827	(49,827)
Total current liabilities	**(56,057)**	**(42,081)**	**(98,138)**
Lease liabilities	–	(139,190)	(139,190)
Deferred tax liabilities	(220)	(2,438)	(2,658)
Total non-current liabilities	**(12,917)**	**(141,628)**	**(154,545)**
Reserves	(69,723)	(7,314)	(77,037)
Total equity	**(72,972)**	**(7,314)**	**(80,286)**

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

3.1 HKFRS 16 Leases – *continued*

The following table summarises the impact of transition to HKFRS 16 on retained earnings at 1 August 2019.

	Impact of adopting HKFRS 16 at 1 August 2019 HK$'000
Net income from sub-leasing right-of-use assets	9,752
Tax effect	(2,438)
Retained earnings	7,314

3.2 Early adoption of amendments to standards during the year ended 31 July 2020 where early adoption is permitted

Amendments to HKFRS 16, "COVID-19-Related Rent Concessions" (effective for annual periods beginning on or after 1 June 2020). The amendment provides lessees with exemption from assessing whether COVID-19-related rent concessions is a lease modification and requires lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications. In applying the amendments to HKFRS 16 for the first time, the Group has applied the practical expedient and elected not to assess whether COVID-19-related rent concessions is a lease modification. All of the COVID-19-related rent concessions amounted to approximately HK$1,594,000 has been credited to the consolidated statement of profit or loss and other comprehensive income within "other income and gains". There is no impact on the opening balance of equity at 1 August 2019.

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

3.3 Changes in accounting policies − Investment Properties

In previous years, the Group's investment properties were carried in the statement of financial position at their fair value amount in accordance with HKAS 40 *Investment Property*.

Commencing from the current year, investment properties are carried at cost less accumulated depreciation and impairment loss, if any (the "**cost model**") in accordance with HKAS 40 *Investment Property*.

Management is of the view that the Group's investment properties, which are only included leased properties under operating lease in relation to sub-leasing business. By using the cost model would provide more relevant information about the Group's financial position and performance. As a result of this change in accounting policy, the Group has not made adjustment to opening balances at 1 August 2019 which increased the fair value of investment properties by approximately HK$14,431,000 and closing balance at 31 July 2020 which increased in the fair value of investment properties by approximately HK$25,004,000, respectively. This change in accounting policy has no effect of the comparative figures for the corresponding comparative prior period which would not been restated.

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 2020

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and a new standard which are not yet effective for the year ended 31 July 2020 and which have not been adopted in the 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 1 (Revised) and HKAS 8	Definition of Material	1 August 2020
Amendments to HKFRS 3 (Revised)	Definition of a Business	1 August 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform	1 August 2020
Conceptual Framework For Financial reporting 2018	Revised Conceptual Framework For Financial Reporting	1 August 2020
HKFRS 17	Insurance Contracts	1 August 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 August 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 August 2022
Amendments to HKFRS 3 (Revised)	Reference to the Conceptual Framework	1 August 2022
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020	1 August 2022
Amendments to HKAS 1 (Revised)	Classification of Liabilities as Current or Non-current	1 August 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined*

* The amendments were original intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred. Early application of the amendments continues to be permitted.

The Group has already commenced an assessment of the related impact of adopting the above new and revised HKFRSs. So far, based on the preliminary assessment, it has concluded that the above new and revised HKFRSs will be adopted at the respective effective dates is unlikely to have a significant impact on the consolidated financial statements of the Group.

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 *Operating Segments*.

	2020	2019
	HK$'000	HK$'000
Revenue from property sub-leasing:		
Gross rental income	**56,027**	31,644
Finance income on finance lease receivables	**8,419**	–
Net income from sub-leasing right-of-use assets	**11,735**	–
Revenue from contracts with customers within the scope of HKFRS 15, types of goods or services:		
Contracting	**10,483**	7,498
Interior design and decoration works	**92,770**	60,361
Property management fee income and value-adding services	**8,988**	3,662
	188,422	103,165

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 *Revenue from Contracts with Customers* ("**HKFRS 15**") to its contracting, interior design and decoration works and property management fee and value-adding services contracts that regarding the performance obligation that has an original expected duration of one year or less, the Group does not make disclosure in accordance with paragraph 120 of HKFRS 15, that is the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period and an explanation of when the Group expects to recognised as revenue.

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, 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:

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

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

Property sub-leasing and management services: The sub-leasing of properties and provision of property management and value-adding services in the PRC.

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 restricted cash, cash and cash equivalents, unallocated property, plant and equipment, unallocated right-of-use assets 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, unallocated lease 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:

	Contracting HK$'000	Interior design and decoration works HK$'000	Property sub-leasing and management services HK$'000	Total HK$'000
Year ended 31 July 2020				
Revenue from external customers and disaggregated by timing of revenue recognition				
Services transferred over time	**10,483**	**92,770**	**85,169**	**188,422**
Reportable segment profit	**539**	**18,389**	**20,202**	**39,130**
Loss on modification of shareholder's loan				**(2,844)**
Unwinding of imputed interest on shareholder's loan				**(1,390)**
Unallocated corporate expenses				**(13,944)**
Profit before income tax				**20,952**
Income tax expense				**(9,189)**
Profit for the year				**11,763**
Included in segment results are:				
Unwinding of imputed interest on shareholder's loan	–	–	**454**	**454**
Depreciation of investment properties	–	–	**37,635**	**37,635**
Depreciation of property, plant and equipment	**27**	**130**	**1,195**	**1,352**
Impairment loss allowance on trade receivables, contract assets and finance lease receivables, net	**86**	**(152)**	**116**	**50**
At 31 July 2020				
Segment assets	**12,368**	**37,310**	**224,937**	**274,615**
Unallocated assets				**88,547**
Consolidated total assets				**363,162**
Included in segment assets are:				
Additions to non-current assets	–	–	**101,560**	**101,560**
Segment liabilities	**4,680**	**22,362**	**226,784**	**253,826**
Tax payable				**4,844**
Deferred tax liabilities				**2,264**
Unallocated liabilities				**4,345**
Consolidated total liabilities				**265,279**

4. REVENUE AND SEGMENT INFORMATION – *continued*

Segment reporting – *continued*

	Contracting HK$'000	Interior design and decoration works HK$'000	Property sub-leasing and management services HK$'000	Total HK$'000
Year ended 31 July 2019				
Revenue from external customers and disaggregated by timing of revenue recognition				
Services transferred over time	7,498	60,361	35,306	103,165
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 of property, plant and equipment	44	488	839	1,371
Amortisation of intangible assets	–	–	264	264
Impairment loss allowance on trade receivables and contract assets, net	–	767	44	811
At 31 July 2019				
Segment assets	14,394	30,030	24,116	68,540
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

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, investment properties, right-of-use assets, finance lease receivables, goodwill, intangible assets and deposits paid ("**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 assets.

	Revenue		**Non-current assets**	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**34,976**	44,338	**2,375**	1,736
PRC	**153,446**	58,827	**171,060**	14,793
	188,422	103,165	**173,435**	16,529

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	2020	2019
	HK$'000	HK$'000
Customer A[1]	**37,171**	13,676
Customer B[2]	**20,660**	N/A[3]

1 Revenue from property sub-leasing services and interior design and decoration work services.

2 Revenue from interior design and decoration work services.

3 The customers did not contribute over 10% or more to the Group's total revenue in the corresponding year.

5. OTHER INCOME AND GAINS

	2020	2019
	HK$'000	HK$'000
Bank interest income	**514**	64
Gain on disposal of subsidiaries	**–**	73
Gain on derecognition upon termination of leases of investment properties and lease liabilities, net	**268**	–
Gain on disposal of property, plant and equipment	**98**	–
Gain on waiver of the amount due to an individual	**–**	528
Management fee income	**660**	480
Net foreign exchange gains	**107**	6
Rent concessions *(Note)*	**1,594**	–
Reversal of write-off of trade receivables	**–**	300
Reversal of impairment loss on deposits paid and other receivables	**–**	954
Tax relief on value-added tax	**828**	141
Others	**137**	192
	4,206	2,738

Note:

The amount represents concession rental from the landlords in relation to the compensation of lockdown of the PRC cities due to COVID-19 pandemic for the year ended 31 July 2020. The concession does not constitute to the lease modification by applying practical expedient that meets the conditions in paragraph 46B of HKFRS 16.

6. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is arrived at after charging/(crediting):

	2020	2019
	HK$'000	HK$'000
Auditors' remuneration	**1,190**	820
Amortisation of intangible assets	–	264
Depreciation of property, plant and equipment* *(Note 10)*	**1,455**	1,606
Depreciation of investment properties	**37,635**	–
Depreciation of right-of-use assets	**854**	–
Sub-contracting costs recognised as an expense	**74,864**	51,431
Gain on derecognition upon termination of leases of investment properties and lease liabilities, net	**(268)**	–
Gain on disposal of property, plant and equipment	**(98)**	–
Write-off of property, plant and equipment *(Note 10)*	**272**	–
Loss on derecognition upon termination of leases of finance lease receivables and lease liabilities, net	**1,383**	–
Loss on deregistration of a subsidiary	–	12
Minimum lease payments under operating lease charges**	–	31,762
Expenses relating to short-term leases#	**3,088**	–
Employee benefits expense (including directors' emoluments)***:		
– Salaries and allowances	**11,078**	10,504
– Retirement benefit scheme contributions (defined contribution scheme)	**473**	405
Direct operating expenses (including repairs and maintenance, depreciation of investment properties and depreciation of leasehold improvements) arising on rental-earning subleasing business	**47,053**	31,061
Other expenses##	**2,493**	1,050

6. PROFIT/(LOSS) BEFORE INCOME TAX – *continued*

* Depreciation of property, plant and equipment of approximately HK$1,175,000 (2019: approximately HK$827,000) and approximately HK$280,000 (2019: approximately HK$779,000 has been included in cost of services and administrative and other operating expenses respectively.

** During the year ended 31 July 2019, the minimum lease payments under operating lease charges of approximately HK$28,444,000 and approximately HK$3,318,000 has been included in cost of services and administrative and other operating expenses respectively. Upon adoption of HKFRS 16 as disclosed in note 3.1, the minimum lease payments under operating lease charges (except for short-term leases) are no longer recognised under cost of services and administrative and other expenses respectively.

*** Employee benefit expense (including directors' emolument) of approximately HK$2,148,000 (2019: approximately HK$719,000) and approximately HK$9,403,000 (2019: approximately HK$10,190,000) has been included in cost of services and administrative and other operating expenses respectively.

Expenses relating to short-term leases of approximately HK$2,232,000 (2019: Nil) and approximately HK$856,000 (2019: Nil) has been included in cost of services and administrative and other 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 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 Group's operations in Hong Kong is subject to Hong Kong Profits Tax at a rate of 8.25% or 16.5% (2019: 8.25% or 16.5%) on the estimated assessable profits for the year after deducting accumulated tax losses brought forward, if any.

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%.

7. INCOME TAX EXPENSE – *continued*

No Hong Kong Profits Tax has been provided for the year in the consolidated financial statements as the Group has tax losses brought forward from previous years (2019: Nil).

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 2020 (2019: 25%).

	2020	2019
	HK$'000	HK$'000
Current – PRC EIT		
Charge for the year	**9,509**	2,508
Deferred tax	**(320)**	(66)
Income tax expense	**9,189**	2,442

Tax charge for the years are reconciled to profit/(loss) before income tax as follows:

	2020	2019
	HK$'000	HK$'000
Profit/(loss) before income tax	**20,952**	(1,209)
Tax at the applicable rates in the tax jurisdictions concerned	**6,903**	435
Tax effect of income not taxable for tax purposes	**(753)**	(143)
Tax effect of expenses not deductible for tax purpose	**1,560**	868
Tax effect of deductible temporary differences not recognised	**66**	152
Utilisation of previously unrecognised tax losses	**(40)**	(184)
Tax effect of tax losses not recognised	**1,453**	1,314
Tax charge	**9,189**	2,442

7. INCOME TAX EXPENSE – *continued*

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$5,364,000 (2019: approximately HK$4,014,000) in respect of losses amounting to approximately HK$32,511,000 (2019: approximately HK$24,327,000) 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 2020 (2019: Nil).

8. EARNINGS/(LOSS) PER SHARE

	2020	2019
	HK$'000	HK$'000
Profit/(loss) attributable to owners of the Company for the purpose of basic and diluted earnings/(loss) per share	**11,650**	(7,051)

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

There were no dilutive potential ordinary shares during the year ended 31 July 2020 (2019: Nil) and therefore, the amount of diluted earnings/(loss) per share is same as the amount of basic earnings/(loss) per share.

9. DIVIDENDS

No interim dividend was declared for the year (2019: Nil).

The Board did not recommend a payment of final dividend for the year ended 31 July 2020 (2019: 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 2018	1,745	1,748	361	3,854
Additions	1,080	103	–	1,183
Additions through acquisition of a subsidiary *(Note 17)*	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 carrying amount				
At 31 July 2019	1,689	1,266	132	3,087
Cost				
At 1 August 2019	4,046	2,737	361	7,144
Additions	–	103	–	103
Disposal	–	–	(361)	(361)
Disposal of a subsidiary	(752)	–	–	(752)
Written-off	(770)	(796)	–	(1,566)
Exchange realignment	(64)	(24)	–	(88)
At 31 July 2020	**2,460**	**2,020**	**–**	**4,480**
Accumulated depreciation				
At 1 August 2019	2,357	1,471	229	4,057
Charge for the year *(Note 6)*	976	429	50	1,455
Disposal	–	–	(279)	(279)
Disposal of a subsidiary	(752)	–	–	(752)
Written-off	(770)	(524)	–	(1,294)
Exchange realignment	(17)	(4)	–	(21)
At 31 July 2020	**1,794**	**1,372**	**–**	**3,166**
Net carrying amount				
At 31 July 2020	**666**	**648**	**–**	**1,314**

11. TRADE RECEIVABLES AND CONTRACT ASSETS

	2020	2019
	HK$'000	HK$'000
Trade receivables *(Note (a))*	**22,423**	21,953
Less: Allowance for credit losses	**(762)**	(875)
	21,661	21,078
Contract assets *(Note (b))*	**22,769**	18,441
Less: Allowance for credit losses	**(118)**	(107)
	22,651	18,334
Total	**44,312**	39,412

Notes:

(a) Trade receivables

Normally 90 days of credit period is granted to certain customers under Hong Kong business and no credit period is granted to the customers under PRC business (2019: no credit period is granted by both PRC and Hong Kong business).

The ageing analysis of these receivables, net of loss allowance, based on invoice date, is as follows:

	2020	2019
	HK$'000	HK$'000
1–30 days	**19,069**	7,032
31–60 days	**54**	2,160
61–90 days	**54**	596
91–365 days	**2,334**	5,553
Over 365 days	**150**	5,737
	21,661	21,078

11. TRADE RECEIVABLES AND CONTRACT ASSETS – *continued*

Notes: – continued

(a) Trade receivables – continued

As at 31 July 2020, trade receivables of approximately HK$16,575,000 (2019: HK$21,078,000) were past due but not impaired. The ageing analysis of these receivables, net of loss allowance, based on due date as at 31 July 2020, is as follows:

	2020	2019
	HK$'000	HK$'000
Neither past due nor impaired	**5,086**	–
Past due for less than 1 month	**16,281**	7,032
Past due for more than 1 month but less than 2 months	**54**	2,160
Past due for more than 2 months but less than 3 months	**54**	596
Past due for more than 3 months but less than 1 year	**36**	5,553
Past due for more than 1 year	**150**	5,737
	21,661	21,078

Trade receivables that were past due but not impaired related to customers that had a good track record of credit with the Group with no history of default in the past.

As at 31 July 2020 and 2019, the Group did not hold any collateral in respect of trade receivables past due but not impaired.

(b) Contract assets

	2020	2019
	HK$'000	HK$'000
Contracting services	**–**	336
Interior design and decoration work services	**22,651**	17,998
	22,651	18,334

11. TRADE RECEIVABLES AND CONTRACT ASSETS – *continued*

Notes: – continued

(b) Contract assets – continued

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.

Contract assets mainly represent payments made by the Group in respect of certified interior design and decoration work services for interior design and decoration work services not yet delivered to customer at the reporting date. At 31 July 2020, balance also includes retention money of approximately HK$2,427,000 (2019: Nil). Certain percentage of the progress settlement are withheld by the customer, which is subject to a maximum amount calculated as the prescribed percentage of the contract sum. Retention money is included in contract assets until the end of the retention period as the Group's entitlement to final payment after passing inspection at the completion of the interior design and decoration work projects. Contract assets are classified as current because the Group expects the completion of such interior design and decoration work services to be within 1 year from the reporting date.

12. PREPAYMENTS, DEPOSITS PAID AND OTHER RECEIVABLES

	2020	2019
	HK$'000	HK$'000
Current		
Prepayments *(Note (a))*	**12,641**	12,584
Deposits paid	**2,142**	1,413
Other receivables *(Note (b))*	**959**	6,816
	15,742	20,813
Less: Provision for impairment	**–**	(326)
	15,742	20,487
Non-current		
Deposits paid *(Note (c))*	**21,935**	12,330
Total	**37,677**	32,817

Notes:

(a) At 31 July 2020, balance includes an amount of approximately HK$1,503,000 (2019: approximately HK$6,562,000) which relates to prepaid rentals to certain landlords for leasing of commercial properties in relation to the operating of property sub-leasing business in PRC.

At 31 July 2020, balance also includes an amount of approximately HK$9,392,000 (2019: approximately HK$5,265,000) which relates to prepaid costs 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) As at 31 July 2019, balance amounting to approximately HK$480,000 is arisen from provision of management services to Mr. Lin, a director and shareholder of the Company which had been fully settled during the year. This balance was unsecured, interest-free and repayable on demand.

As at 31 July 2019, balance amounting to approximately HK$2,656,000 is arisen from payments made 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 during the year.

As at 31 July 2019, balance amounting to approximately HK$2,150,000 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 during the year.

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

Notes: – continued

(c) The non-current deposits 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. RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

	2020	2019
	HK$'000	HK$'000
Restricted cash	**1,635**	–
Cash at banks	**55,011**	40,059
Bank deposits	**27,658**	25,434
Cash on hand	**27**	25
Cash and cash equivalents	**82,696**	65,518
Restricted cash and cash and cash equivalents	**84,331**	65,518

Notes:

On 11 October 2019, the Group received an amount of HK$30,000,000 regarding to a loan from a shareholder, which is restricted to be used in the purpose of financing the Company's potential acquisition of an office premise in Hong Kong and its related expenses, and provide extra assurance for the profit guarantee provided by the shareholder in favour of the Company. For further details of the profit guarantee, please refer to the announcement of the Company dated 3 April 2020.

After assessment of the internal resources of the Group, the directors of the Company consider that it would be sufficient for the Group to apply half amount of the loan from a shareholder for the development of the Group's subleasing business. As such, on 3 April 2020, the Company repaid HK$15,000,000 to Mr. Lin Ye ("**Mr. Lin**"). Mr. Lin consented to and the Company released the remaining restricted cash for development of the Group's subleasing business.

As at 31 July 2020, the Group has no balance of restricted cash in respect of the loan from a shareholder (2019: Nil).

As at 31 July 2020, there is an outstanding arbitration commenced by two sub-constructors (2019: Nil) against the subsidiary in the PRC of the Group claiming for construction fees, together with the late payments, and unilateral termination of contracts, totaling approximately RMB6,471,200 (equivalent to approximately HK$7,159,000) (2019: Nil). The restricted cash of the Group of approximately HK$1,635,000 (2019: Nil) had already been frozen by judicial freezing due to the outstanding arbitration. Details of the arbitration are set out in note 16.

13. RESTRICTED CASH AND CASH AND CASH EQUIVALENTS – *continued*

Notes: – continued

The carrying amounts of the restricted cash and cash and cash equivalents are denominated in the following currencies:

	2020 HK$'000	2019 HK$'000
HK$	**43,293**	37,394
RMB	**41,038**	28,124
	84,331	65,518

As at 31 July 2020, included in cash and cash equivalents of the Group is approximately HK$41,034,000 (2019: HK$28,120,000) of cash at banks and bank deposits 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.

Cash at banks and bank deposits earn interest at floating rates based on daily bank deposit rates.

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

	2020 HK$'000	2019 HK$'000
Current		
Trade payables *(Note (a))*	**27,590**	37,490
Receipts in advance	**1,203**	6,019
Deposits received *(Note (b))*	**9,232**	4,817
Accruals and other payables *(Note (c))*	**5,549**	4,328
	43,574	52,654
Contract liabilities *(Note (d))*	**430**	1,392
	44,004	54,046
Non-current		
Deposits received *(Note (b))*	**18,683**	12,697
Total	**62,687**	66,743

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

Notes:

(a) No credit period is granted by suppliers (2019: No). The ageing analysis of trade payables based on the invoice date is as follows:

	2020	2019
	HK$'000	HK$'000
0–30 days	**10,006**	19,994
31–60 days	**6,983**	9,988
61–90 days	**–**	4,470
Over 90 days	**10,601**	3,038
	27,590	37,490

(b) As at 31 July 2020, balance amounting to approximately HK$2,876,000 (2019: Nil) arose from the deposit received from the customer in relation to the guarantee on the indemnity of the arbitration as disclosed in note 16.

The remaining balance of 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.

(c) Other payables include the balance amounting to approximately HK$1,000,000 as at 31 July 2019 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 was unsecured, interest-free and repayable on demand. The balance was fully settled during the year ended 31 July 2020.

(d) 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

	2020	2019
	HK$'000	HK$'000
At the beginning of the year	**1,392**	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	**(1,392)**	(870)
Increase of receipts in advance from customers	**430**	1,384
Exchange realignment	**–**	8
At the end of the year	**430**	1,392

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

Notes: – continued

(d) **Movements in contract liabilities – continued**

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 decrease in contract liabilities in the year ended 31 July 2020 was mainly due to less advances received from customers under the newly geographical location of contracts for interior design and decoration works in the PRC.

15. SHARE CAPITAL

	Number of ordinary shares	Ordinary shares
	'000	HK$'000
Ordinary shares of HK$0.01 each:		
Authorised:		
As at 1 August 2018, 31 July 2019, 1 August 2019 and 31 July 2020	**2,000,000**	**20,000**

	Number of ordinary shares	Ordinary shares
	'000	HK$'000
Issued and fully paid:		
As at 1 August 2018, 31 July 2019, 1 August 2019 and 31 July 2020	**411,200**	**4,112**

16. CONTINGENT LIABILITIES

As at 31 July 2020, there was an outstanding arbitration commenced by two sub-constructors (the "**Sub-Contractors**") against a subsidiary in the PRC of the Group (the "**Subsidiary**") claiming for construction fees, together with damages for the late payment and unilateral termination of contracts, totaling RMB6,471,200 (equivalent to approximately HK$7,159,000) (the "**Arbitration**"). Judicial freezing was made against the bank account of the Subsidiary in the amount of up to RMB6,387,200 (equivalent to approximately HK$7,066,000) (which covers substantially most of the amount claimed under the Arbitration) was filed under the Arbitration. As at 31 July 2020, the bank balance of the Subsidiary amounted to approximately RMB1,478,000 (equivalent to approximately HK$1,635,000). Other than the above judicial freezing of bank account, the Subsidiary was not subject to any other asset protection order as at 31 July 2020. The trade payables of the Group included an amount of approximately HK$3,486,000 as at 31 July 2020 which relates to the contracts under the Arbitration and recognised based on the completed works of the Sub-Constructors as at 31 July 2020.

On 1 June 2020, the Subsidiary entered into a supplemental agreement with the customer (the "**Supplemental Agreement**") pursuant to which the customer irrevocably and unconditionally agreed and undertook to fully indemnify the Subsidiary for all possible losses and responsibilities that may be incurred or suffered by the Subsidiary under the Arbitration. During the year ended 31 July 2020, the customer has deposited the amount of RMB2,600,000 (equivalent to approximately HK$2,876,000) to the Group as the guarantee on the indemnity as disclosed in note 14(b). The Company is advised by its PRC legal adviser that (i) the Supplemental Agreement is legal, valid, binding to the parties thereto and not in contravention of the laws of the PRC; (ii) the customer should bear all the responsibilities under the Arbitration; and (iii) upon the customer having fulfilled all its obligations and responsibilities resulting from the Arbitration, the Subsidiary can apply to release the assets in its frozen bank account. For further details of the Arbitration, please refer to the announcement of the Company dated 10 June 2020.

As of the date of this announcement, the Arbitration regarding the claim is still in progress. According to the advice of the Company's PRC legal advisor, the Board estimates that the likely outcome of the contingent liabilities cannot be ascertained with reasonable certainty at present and it is not probable that an outflow of economic benefits will be required. The Board also believes that any possible legal liability which may be incurred from the Arbitration will not have any material impact on the financial position or results of the Group.

17. 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, the Group acquired all the equity interest in 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 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 *(Note (a))*	2,129
Intangible assets *(Note (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 *(Note (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

17. ACQUISITION OF A SUBSIDIARY – *continued*

Notes:

(a) The fair value of property, plant and equipment and intangible assets as 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 as 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 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 AND OUTLOOK

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 PRC and interior design services and decoration works in both Hong Kong and the PRC.

The Board completed its review of the Group's business operation in early 2019. At the board meeting held in February 2019 which discussed, among others, the business development direction of the Group, it was resolved that the Group should continue its original businesses of provision of contracting, project management and civil engineering consulting businesses ("**Original Businesses**"). In view of the high demand of small size office in grade A office building and the entry barrier for small scale or start-up companies, the Board appreciated the relevant business potential, and also resolved to leverage on the experience and existing business of Shenzhen Zhongshenguotou Assets Management Co., Ltd* (深圳中深國投資產管理有限公司) ("**ZSGT**") to develop the sub-leasing as well as establishing the interior design and decoration team focusing on interior design and decoration business arising from the sub-lease business in order to secure additional stable source of revenue for the Group.

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 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.

* *For identification purpose only*

(a) Sub-leasing of premises

Overview

In view of (i) the growing number of start-up and small-to-medium business in the PRC; (ii) the demand of a proper office premise, preferably at grade-A commercial building, to gain creditability for such start-up and small-to-medium business; and (iii) the entry barrier of grade-A commercial building generally leased out floor by floor and may not be affordable to start-up and small-to-medium business, and generally leased to established company with proven track record or recognition, the management of the Group considered there are ample business opportunities in such regard.

Taking advantage of its listing status, the Group, after performing detailed study including demographic and geographic information of the surrounding of the commercial buildings to confirm that the commercial buildings are considered to be able to fulfill the need of the target customers of the Group, entered into long term head leases with fixed leasing fee with the landlords of grade A commercial buildings.

The Group then offers and leases properties to its sub-tenants after optimising and categorising the use of space at the properties that it has leased. The Group's sub-leasing of premises generally focuses on office premises and involves provision of small scale (ranging from 100 sq.m. to 500 sq.m.) subdivided or partitioned office premises at grade A commercial buildings with stylish decoration at affordable price embedding co-use/sharing concept. The Group leases properties from the landlords and carries out the necessary sub-lease design, planning, renovation and refurbishment works. In order to cater the Group's leased properties for sub-leasing to its sub-tenants, the Group partitions the leased commercial properties equipped with centralised medium to large scale conference rooms housing 20 to 180 participants, for the co-use of sub-tenants. The target sub-tenants of the Group's sub-leased properties are entrepreneurs, start-up business and small-to-medium enterprises, which generally requires optimised office premises with flexible working environment.

After entering into the head lease and sub-leasing agreements, the Group will delegate a property management team to provide instant support and services including but not limited to (i) services generally provided by property management agency, such as security service and reception service, which may be sometimes outsourced by the Group to other service providers; (ii) repair and maintenance services and tailor design and renovation and refurbishment services, leveraging the Group's resource of its Interior Design and Decoration Business; (iii) consultation and execution on the regulatory requirement of fire control; (iv) human resources planning and manpower recruitment; (v) provision of platform on the Group's mobile application for promotional activities; and (vi) general consultation and assistance on corporate registration tax and employment benefits matters.

The sub-leasing of office premise in the PRC has expanded significantly in the recent years, and the growing trend is expected to continue.

As at the 31 July 2020, the Group leased 8 large scale properties in the PRC, of which seven properties are situated at Futian (福田), Nanshan (南山) and Baoan (寶安) districts of Shenzhen; one property is located in Beijing, with total floor area of approximately 32,028 square meters ("**sq.m.**") for its operation of sub-leasing to sub-tenants. The occupancy rate of the Group's sub-leased properties reached over 92% as at 31 July 2020.

Business flow

The following flow chart illustrates each stage of business operation for the Group's business relating to sub-leasing of premises:

Step 1: Sourcing of property

In order to carry out the sub-leasing business, the Group is required to lease the commercial properties from the landlords. As the Group generally targets to lease properties with relatively long lease terms and leveraging its listing status and cash rich position, the Group believes that it fulfills the requirements of a good tenant for landlords of grade A commercial building, and has bargaining power to request the landlords to offer discount on rent, which were in turn beneficial to the Group's operations. Majority of the Group's existing leased properties for the sub-leasing business are with relatively longer terms, ranging from 3 years to 5 years.

The Group's marketing department performs market analysis for the latest leasing trends and developments and possesses crucial user-lead information through their day-to-day interactions with the sub-tenants and landlords. In sourcing potential properties for sub-leasing, the Group will conduct feasibility study, which takes into account a number of factors including but not limited to (i) commercial development of the proposed district; (ii) availability of favorable government policies in support of commercial development; (iii) portfolio of the enterprises in the proximity; (iv) expected rental yield; (v) lease term of the property; (vi) location of the property, including accessibility of railways, surrounding environment and neighborhood; (vii) usage and physical condition of the property such as the building and facilities specifications; and (viii) estimated costs required for the renovation and/or refurbishment works.

Once a potential property is identified, the senior management of the Group will review the feasibility study. For properties which the Group's senior management have approved the feasibility study, the Group will then commence lease negotiation with the relevant landlords. The Group will commence inspection of the property and to prepare the sub-leasing proposal for the relevant landlord's consideration, which will generally take around a month. The sub-leasing proposal lays out the general terms of lease from the relevant landlords, such as the rental level, rent-free period and lease terms, and intended use of the properties for the Group's operations of its sub-leasing business. In view of the necessary renovation and refurbishment of the properties for partitioning, the Group will generally request the landlords to offer rent-free periods, which ranged from two months to seven months for its leased properties. Once the proposal is accepted by the relevant landlord, it will generally take another two to three weeks to conclude the negotiation and to execute the head lease agreement.

Step 2: Sub-leasing planning and renovation

While assessing the potential property, the Group will at the same time conduct market research on the targeted sub-tenants for sub-leasing such property based on the analysis of the geographic location and the other tenants in the proximity of the property. This can help ensure that the potential property is in line with the Group's sub-leasing strategy focusing on entrepreneurs, startup business and small-to-medium enterprises.

In order to take over the property, convert the property and offer the property for sub-leasing, the steps involved will include space planning and budgeting, marketing and leasing the units, engaging contractors, renovating and refurbishing the property.

Once the Group has concluded the head lease agreement, it will start to study the property in greater details to market the property and re-design and plan the space to optimise and categorise its usable area, thus increasing the potential rental yield of sub-leasing the property. The project management team will work with the in-house design team to develop and refine the proposed design for the property. The in-house design team will also undertake detailed design development, which include drawing up of the relevant proposals and plans according to budgeted refurbishment costs for sub-dividing the property as well as the requirements of prospective sub-tenants. The Group will then draw up a detailed budget, involving quotes from multiple contractors for undertaking the renovation works.

The properties require renovation and refurbishment prior to sub-leasing out. This ensures the consistent aesthetic appeal and the overall value of the property. Based on the Group's experiences on sub-leasing of premises, it has built a network of pre-approved contractors for the execution of additions and alteration works such as partition works, tiling works and ceiling works. This helps the Group save time and costs in evaluating and selecting the contractors, which in turn shortens the time required for undertaking the renovation and refurbishment and thus enhances the Group's value for sub-leasing.

Interior design and decoration team of the Group, with the assistance of external contractors, will renovate the property, subdivide the property into smaller units with centralised conference room for sub-leasing. Given the diversified requirements from the sub-tenants, the Group also offers additional renovation services with reasonable charge to the sub-tenants through its Interior Design and Decoration Business segment to satisfy their design and decoration preferences. The Group is capable of providing one-stop renovation services to sub-tenants, including design and decoration, arrangements with external contractors and monitoring the renovation process. The Group's customer services department will also carry out regular site inspections to ensure that the works are carried out in accordance with the quality procedures and that all safety procedures are adhered to.

While carrying out the renovation or refurbishment work, the Group will simultaneously conduct marketing activities and delivery the relevant details of its properties to potential sub-tenants. Once the renovation or refurbishment work is completed, the Group will liaise with and handover the relevant units to its sub-tenants upon confirmation of these sub-tenants by the customer services department. The Group considers that its comprehensive renovation services will assist the sub-tenants in securing a satisfactory office unit and reduce their time and costs for such renovation process.

Step 3: Sourcing of sub-tenants

After taking over the property, the marketing department will begin marketing the units available for leasing out to potential sub-tenants to garner awareness of the new property and identify interested sub-tenants. The Group will conduct marketing activities under its brand SNSPACE (深南空間) and source sub-tenants by advertising the property at its self-operated online platforms (e.g. website and WeChat) and third-party websites specialising in property advertising (e.g. qfang.com (Q房網), 58.com (58同城)). The Group will also market available units of the properties from its database of past and existing sub-tenants, as well as seek recommendations and referrals from the business associates and property agents.

Once a prospective sub-tenant is identified, the Group will arrange viewing of the unit and negotiate the rental rate with the sub-tenant. The rental rate is determined with reference to the size of the unit, location and facilities of the property and physical conditions of the unit. The Group normally requests longer lease terms from the sub-tenants with a view to securing a stable income source. The lease terms of majority of the existing sub-tenants are generally one to three year(s), while the Group also accepts shorter lease terms of one year if the sub-tenant is willing to pay a higher rent.

The Group seeks to maintain long-term relationships with sub-tenants. In assessing new sub-tenants, the Group takes into consideration factors including the business nature of sub-tenants, brand attractiveness, rental affordability and the effect on the sub-tenant mix of the particular property as a whole. The Directors believe that the Group's sub-tenant selection criteria and sub-tenant relationship management have been one of the factors for retaining sub-tenants and sustaining satisfactory occupancy rates, thereby generating stable rental income base.

The Group generally takes one months for the process from the entering into the head lease agreement with the landlord to its sub-leasing to the first sub-tenant of the leased property.

Step 4: Value-adding services

The Group will continuously provide value-adding service as detailed in the section headed "Scope of services" below.

As most of the target sub-tenants are primarily startup and small-to-medium enterprises which might not have sufficient manpower in handling property management matters, each sub-tenant has been assigned with a designated customer service officer to take care of its needs. The Group will provide prompt and reliable assistance in response to the enquiries, feedback and issues of the sub-tenants in relation to each property. Moreover, services such as building maintenance, security and cleaning will be carried out according to scheduled timelines, or on an ad-hoc basis as requested by the sub-tenants. The customer service officer is supported by other team members as well as the in-house administrative and finance department of the Group in handling sub-tenants' requests so that the Group can achieve overall cost-savings.

Scope of service

For each of the head leased project, the Group will delegate a property management team to provide instant support and services. The team generally comprise:

Role	**Duties**
Project manager	Overall supervision of the management and services to the sub-tenants
Customer service executive	Overall supervision of all customer service
Security executive	Responsible for the fire safety and security service
General manager	Responsible for managing the use of co-use facilities, company secretarial services, general consultation and assistance on corporate registration tax and employment benefits matters, and other general enquiries
Environmental administrator	Responsible for greening and cleaning outsourcer management and Internet service set-up and maintenance
Receptionist	Responsible for reception service, provision of human resources planning and manpower recruitment services, provision of promotional activities and general consultation and assistance on corporate registration tax and employment benefits matters
Customer service officer	Supporting other team members

The key features of the Group's sub-leasing of premises generally comprise:

•	Products	Provision of small scale (between 100 sq.m. to 500 sq.m.) partitioned office premises at grade A commercial buildings with stylish decoration.
•	Co-use facilities	*Centralised conference room* – Majority of the partitioned office premises are equipped with centralised medium to large scale conference rooms housing 20 to 180 participants. Each floor of the Group's sub-leased properties with total gross floor area of 2,000 sq.m. above is equipped with one conference room and sub-tenants have access to and are eligible to use all the conference rooms managed by the Group with pre-appointment. *Pantry* – The sub-tenants shared a common pantry equipped with refrigerator, oven, and basic kitchenware and facilities. *Reception* – The Group arranges a receptionist in each of its partitioned office premises to greet the guests of sub-tenants and provide necessary assistants for welcoming guests.
•	Repair and maintenance and services	The Group offers repair and maintenance services for power supply, water supply and drainage systems, fire extinguishing systems and other co-shared facilities and equipments of the Group's sub-leased properties. The Group also offers continuous tailor-made repair and maintenance services based on the needs of sub-tenants at reasonable charge, such as maintenance of electrical appliances, doors and windows.
•	Renovation and refurbishment services	The Group has its in-house interior design and decoration team, which will provide interior design, decorating and furnishing services at the request of sub-tenants with reasonable charge. The Group will also arrange and engage contractors for execution of renovation and refurbishment works. For further details of the interior design and decoration business of the Group (the "**Interior Design and Decoration Business**"), please refer to the section headed "2. Interior Design and Decoration Business Segment" in this announcement.

As majority of the sub-tenants is startup and small-to-medium enterprises, they may have limited business networks in setting up an office premise. Hence, the integrated services from the Group facilitates sub-tenants to have a "ready-to-use" office premise can reduce potential time and costs in negotiating and dealing with various parties.

• Consultation and execution on the regulatory requirement of fire control	The Group will leverage its experiences and liaise with the landlords and the relevant regulatory bodies for the fulfilment of fire control regulatory requirements, which is crucial and normally time-consuming before the sub-tenants is able to move into the premises. The Group will also seek advice from Mr. Wang Xuebing ("**Mr. Wang**"), being the special assistant to the chairman of the Board and a retired deputy director of the Public Security (Fire Services) Bureau of Shenzhen, the PRC.
• Security	The Group provides security and reception service, including 24/7 CCTV monitoring in the Group's sub-leased properties.
• Company secretarial services	The Group provides general company secretarial services to its sub-tenants, including (i) assistance on compiling regulatory filings; and (ii) book-keeping of all relevant filings and company seal. In view of the targeted sub-tenants being startup business and small-to-medium enterprises, such services were overwhelmingly accepted by the sub-tenants because this can reduce costs and foster the business development of sub-tenants.
• General consultation and assistance on corporate registration tax and employment benefits matters	The Group provides consultation services and administrative assistance to its sub-tenants, who are primarily startups and small-to-medium businesses, on general taxation and employment benefits matters. The Group has assigned a customer service officer to each of the sub-tenants, who is responsible for the provision of personalised consultation. Sub-tenants are benefited from a reduction of labour costs by leveraging on the Group's services.

- Liaison on administrative matters — The Group will liaise with the landlords on behalf of the sub-tenants, the administrative matters relating to communication with landlords and compliance with requirements and regulations for leasing have been dealt with by the Group. Accordingly, sub-tenants are able to save manpower and resources and focus on business operations.

(b) Sub-leasing management

Overview

Sub-leasing management is a demand driven service which targets at enterprises requiring national presence, including but not limited to asset management companies, insurance companies, finance companies and other companies which operate a number of branches across the PRC.

Typically, such nationwide enterprises maintained an in-house leasing department to (i) search for premises in different provinces and cities; (ii) negotiate and enter into agreements with different landlords all over PRC; (iii) sourcing renovation service in different provinces and cities to provide standardised renovation to demonstrate unified corporate image; and (iv) handle all regulatory and leasing related compliance issue subsequent to the entering of the leasing agreements.

The Group will first approach target customers within the business network of the Group's Directors and management, and understand their needs, and then leveraging the resource and research of the Group's sub-leasing of premises business and Interior Design and Decoration Business, the Group will be able to suggest potential premises meeting the customer's specifications speedily, and provide all of the above service typically provided by in-house leasing department with lower cost as comparing to the maintenance cost for an in-house leasing department. Further, the customers will only need to communicate their needs to the Group in contrast to negotiating with different landlord all over PRC one by one, and thus the Group's sub-leasing management service will be able to minimize the customers' effort, resource and cost spent on leasing which can then put such effort, resource and cost on their core revenue generating operation.

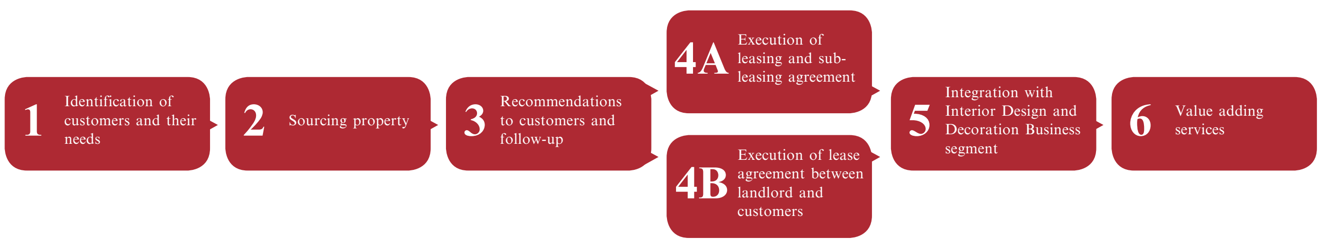
Given that the sub-leasing management service is demand driven, the Group will generally enter into rental agreement with landlords back to back with the sub-leasing agreement with the customers, and as such, the Group generally does not expose itself to any risk of being unable to lease the premises out, and there is no vacancy for premises leased under the sub-leasing management service.

Going forward, the market size of sub-leasing management in the PRC is expected to rise.

As at 31 July 2020, the Group's sub-leasing management services cover 5 cities, namely Shenzhen, Beijing, Shanghai, Chongqing, Tianjin and 19 other provinces of the PRC, namely Guangdong, Guangxi, Jiangxi, Hunan, Hubei, Hainan, Hebei, Fujian, Jilin, Shandong, Sichuan, Ningxia, Inner Mongolia, Anhui, Qinghai, Shanxi, Shanxi, Jiangsu and Zhejiang with total floor areas of approximately 59,732 sq.m..

Business flow

The following flow chart illustrates each stage of business operation for the Group's sub-leasing management business:



Step 1: Identification of customers and their needs

In view of the growing economy in the PRC in the recent years, many sizable companies propose to establish multiple offices or branches in different cities in the PRC to capture the potentials in the relevant cities. However, establishing offices or branches in different cities incurs management costs to companies as they may need to recruit additional local staff to manage the leasing affairs, including but not limited to liaising with the landlords for the property leasing matters.

As companies may establish multiple offices or branches in different cities, they have to deal with different landlords independently. With a view to reducing the costs associated with leasing a high number of office premises in multiple cities from different landlords or property developers, the Group offers sub-leasing management services of companies which provides sub-leasing of non-partitioned commercial premises with value-adding services to the customers.

The Group identifies nationwide asset management companies, insurance companies, finance company as its major customers as these companies generally require to open different branches in various cities for its widespread service coverage. Once a potential customer is identified through the business network of the Group's Directors and management, the Group will understand and obtain the relevant requirements from the potential customer relating to property leasing, such as location and size of office premise, preference of office building grading and rental budget.

Step 2: Sourcing property

After understanding customers' specifications, the marketing and customer service team will commence sourcing appropriate properties. The Group engages both online and offline platforms for property sourcing. The marketing and customer service team identifies appropriate properties from websites of property agencies. Also, with the established network with landlords or property developers, the marketing and customer service team will contact the relevant landlords or property landlords to enquire whether they have suitable office premises for leasing based on the customers' specifications.

Step 3: Recommendations to customers and follow-up

Based on a list of potential properties that fulfill customers' specifications from the sourcing process, the Group will evaluate such properties internally and add on additional charge in addition to the rental level obtained from the landlords to reflect the fees of our sub-leasing management services. The marketing and customer service team will compile a summary of the potential properties to the customers, which set out the landlord, location, size, monthly rental and pictures of the potential properties.

In order for the customers to better understand the potential properties, the marketing and customer service team will follow up with them for their feedbacks and answer the questions they may have. The Group will obtain information from the landlords based on the requests or queries from the customers. The Group will arrange premises inspection, if requested, with the landlord and customers. If the potential properties could not satisfy the preferences of customers, the Group will closely communicate with the customers and attempts to source other properties for their consideration.

Step 4A: Execution of leasing and sub-leasing agreement

After customers confirm the selection of office premise from the Group's recommendations, the Group will enter into a sub-leasing agreement with the customers. At the same time, the Group will also enter into a lease agreement with the landlord.

Step 4B: Execution of lease agreement between landlord and customers

Certain customers prefer to sign the lease agreement with the landlord directly. As such, the Group will arrange the signing of lease agreement between the landlord and customers. The relevant scope of services provided by the Group between the entering into the lease agreement with (i) the Group and customers; and (ii) the landlord and customers are substantially the same.

Step 5: Integration with Interior Design and Decoration Business segment

After the lease has been confirmed with the respective landlord and customer, the Group will carry out the handover inspection and relevant processes with the customer. As the Group also engages in the Interior Design and Decoration Business, the marketing and customer service team will provide general advice in relation to renovation and refurbishment of the office premise and provide quotation for carrying out such works. It is believed that the integration of the Sub-leasing Business segment and the Interior Design and Decoration Business segment could facilitate the customers as they may lack local connection and network for such renovation and refurbishment works when they open a new office or branch in a city that they have no previous business engagements.

Step 6: Value-adding services

As the customers liaise with the Group directly instead of multiple landlords, the Group is responsible for all the general matters of the office premises. Such general matters include basic repairment and maintenance, appointment of regular premise inspection by government authorities and enquiry of leasing terms. The Group will assess the relevant requests from the customers based on its complexity and either resolve by the Group itself and resort to the landlord and other relevant parties. Each customer has been assigned with a designated customer service officer to take care of its needs.

Scope of service

The key features of the Group's sub-leasing management services comprise:

- Services — Provision of sub-leasing management, which consists of:

  (i) sourcing of office premises across the PRC based on customers' specifications and preferences;

  (ii) sub-leasing office premises to customers;

(iii) managing all leasing matters with landlords and other relevant parties on behalf of the customers.

- Value-adding services

The Group offer value-adding services to the customers, including but not limited to:

(i) *Interior design and decoration* – With reference to the Interior Design and Decoration Business, the Group will provide one-stop interior design, decorating and furnishing services to its customers with charge at the request of the customers;

(ii) *Repair and maintenance services* – The Group will liaise with the landlords and provide general repair and maintenance services to customers, such as consultation and appointment with contractors and inspection of maintenance works;

(iii) *Consultation services for obtaining approval from the fire services department and other regulatory bodies* – The Group has an in-house customer service team with expertise in property management. The Group will provide on-going consultation services for customers to fulfill its obligations as tenants, including arranging regular checks of office premises with the regulatory bodies. The Group will also seek advice from Mr. Wang, being the special assistant to the chairman of the Board and a retired deputy director of the Public Security (Fire Services) Bureau of Shenzhen, the PRC;

(iv) *General leasing advisory matters* – The Group will advise customers in relation to wide range of leasing issues, ranging from compliance with the local leasing regulations in various cities to referral of local service providers relating to operations and management of office premises. Such advisory services could protect the interests of our customers in terms of pricing and regulatory requirements when dealing with the landlords directly.

(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 based on actual usage.

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

(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.

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.

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**"), and 100% owned subsidiary, KSL Engineering Limited. 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 ("**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 Project Managers in order to reach customers' expectation.

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 second 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 time 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.

During the year ended 31 July 2020, the Group provided interior design and decoration service in the PRC to both sub-tenants and customers which were not related to the sub-leasing business.

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.

The Group appointed Mr. So, who has over 30 years of experience in the civil engineering industry, as the chief operating officer of the Group in February 2019 and he is responsible for overseeing and developing the Group's civil engineering projects. Mr. Yeung, on the other hand, is primarily responsible for overseeing the Interior Design and Decoration Business. He will also refer civil engineering contracting works to the Group, if available. 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, one of the chief operating officers of the Group and 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 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 Business; and (iii) sub-leasing, are the three pillars supporting the continuing development of the Group's businesses, improving its financial performance and contributing to the growth of the Group.

The financial results of the Group for the financial year ended 31 July 2020 proves that the Group is on the right track as its revenue and gross profit have substantially increased. Since the Group has developed multiple business lines which are complementary to each other and thus no longer solely rely on the Original Businesses. The fast-growing sub-leasing as well as the interior design and decoration businesses do not only provide stable source of revenue to the Group and improve the Group's profitability, but also diversify the overall business risk of the Group. 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 will continue to develop the Group's existing businesses in Hong Kong while at the same time continue its expansion in the PRC. Furthermore, 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. This will in turn benefit the civil engineering industry in Hong Kong which the Board believes would be positive to the future business performance of the Group. The Group and the management team are determined to intensify their effort during the year and afterward so that the Group can continue to thrive.

FINANCIAL REVIEW

Revenue and Segment Information

In the year ended 31 July 2020, the Group's total revenue has materially increased by 82.6% to approximately HK$188.4 million (2019: approximately HK$103.2 million). This material change was mainly due to:

(i) increase in revenue of the Group's interior design and decoration business to approximately HK$92.8 million (2019: approximately HK$60.4 million); and

(ii) increase in revenue of the Group's property sub-leasing and management business in the PRC to approximately HK$85.2 million (2019: approximately HK$35.3 million).

(a) Interior design and decoration

In the year ended 31 July 2020, the Group's revenue from interior design and decoration segment has increased by 53.7% to approximately HK$92.8 million (2019: approximately HK$60.4 million), in which approximately HK$24.5 million (2019: approximately HK$36.8 million) was generated from Hong Kong and approximately HK$68.3 million was generated from the PRC (2019: approximately HK$23.6 million).

Due to the synergy effect with its sub-leasing business and with the assistance of the newly appointed Chief Operating Officer, the Group expanded its interior design and decoration business to the PRC since the second half of the year ended 31 July 2019 and achieved segment revenue in the PRC of approximately HK$68.3 million in the financial year ended 31 July 2020. 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$85.2 million in the year ended 31 July 2020 (2019: approximately HK$35.3 million).

(c) Original Businesses

Revenue from the Original Businesses has increased by 39.8% from approximately HK$7.5 million in the year ended 31 July 2019 to approximately HK$10.5 million in the year ended 31 July 2020 due to stable recovery of this business.

Cost of Services

In line with the increase in revenue of the Group, cost of services of the Group for the year ended 31 July 2020 increased to approximately HK$129.9 million, representing an increase of 52.0% (2019: approximately HK$85.5 million). The major cost items of the Group include sub-contracting charge, depreciation of investment properties and material cost as well as lease payment under operating lease.

Gross Profit

In the year ended 31 July 2020, gross profit of the Group had materially increased by 230.9% to approximately HK$58.5 million (2019: approximately HK$17.7 million) with gross profit margin of 31.0% (2019: 17.2%). The material increase in the gross profit margin of the Group reflected the improvement in its profitability.

Other Income and Gains

In the year ended 31 July 2020, the Group's other income and net gains increase by 53.6% to approximately HK$4.2 million (2019: approximately HK$2.7 million). The major reason for the change was because of the increase of COVID-19-related rent concessions amounting to HK$1.6 million.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses decreased by 0.9% to approximately HK$20.6 million in the financial year ended 31 July 2020 (2019: approximately HK$20.8 million).

Income Tax Expense

Since the Group had unutilised tax loss brought forward in Hong Kong, no profits tax was charged for the year ended 31 July 2020 (2019: Nil) despite the profitability of its Original Businesses and interior design and decoration business segment in Hong Kong in the year ended 31 July 2020.

EIT of approximately HK$9.5 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$0.3 million, the total income tax expense of the Group for the year ended 31 July 2020 was approximately HK$9.2 million (2019: approximately HK$2.4 million).

Profit/Loss before Income Tax and Profit/Loss for the Year

The Group recorded a profit before income tax of approximately HK$21.0 million for the year ended 31 July 2020 as compared to a loss before income tax of approximately HK$1.2 million for the corresponding period in 2019.

The business of the Group recorded a profit of approximately HK$11.8 million for the year ended 31 July 2020, which represented a turnaround from a loss of approximately HK$3.7 million for the year ended 31 July 2019.

The Company recorded a profit attributable to the owners of the Company of approximately HK$11.7 million for the year ended 31 July 2020 as compared to a loss attributable to the owners of the Company in the amount of approximately HK$7.1 million for the year ended 31 July 2019.

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

In the year ended 31 July 2020, part of the Group's operation in Hong Kong was conducted via NBE, its 51% owned subsidiary.

In the year ended 31 July 2020, NBE had net profit of approximately HK$0.2 million, in which NBE's profit attributable to NCI was approximately HK$113,000.

Final Dividend

The Board did not recommend the payment of a final dividend for the year ended 31 July 2020 (2019: Nil).

Liquidity and Financial Resources

The Group maintained a healthy financial position in the year ended 31 July 2020. As at 31 July 2020, the Group had cash and cash equivalent of approximately HK$82.7 million (2019: approximately HK$65.5 million).

The current ratio as at 31 July 2020 was 1.6 (2019: 2.2).

Gearing Ratio

The gearing ratio of the Group as at 31 July 2020 was 13.4% (2019: Nil). The increase in gearing ratio was attributed to the loan from a shareholder amounted to approximately HK$13.0 million as at 31 July 2020 (2019: Nil).

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 2020. 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 2020, the Group did not have any charges on its assets (2019: 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 2020. 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 2020, the share capital and equity attributable to owners of the Company amounted to approximately HK$4.1 million and HK$98.6 million respectively (2019: approximately HK$4.1 million and HK$73.8 million respectively).

Capital Commitments

The registered capital of Shenzhen Fuqingyuan Technology Limited ("**Fuqingyuan**") is RMB5 million. The Group committed at 31 July 2020 to invest in Fuqingyuan, a wholly-owned subsidiary, amounting to RMB5 million (equivalent to approximately HK$5.5 million) (2019: RMB5 million (equivalent to approximately HK$5.5 million).

Application of the Net Proceeds of the Placing

As at 31 July 2020, 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 and the 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 2020 are as follows:

Intended uses of the Proceeds	**Planned use of the Proceeds**	**Actual use of the Proceeds up to 31 July 2020**	**Actual use of the Proceeds for the year ended 31 July 2020**
	HK$ (approximately)	HK$ (approximately)	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	–
Total	**22,000,000**	**14,981,000**	–

As at 31 July 2020, 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 2020, the Group had 53 (2019: 44) employees, including the Directors. The Group's total staff costs (including Directors' emoluments) for the year ended 31 July 2020 increased to approximately HK$11.6 million (2019: approximately HK$10.9 million).

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, Deregistrations and Disposals of Subsidiaries and Affiliated Companies

The Group did not have any material acquisitions, deregistrations and disposals of subsidiaries and affiliated companies for the year ended 31 July 2020.

Contingent Liabilities

Save as disclosed in note 16 of this announcement, the Group did not have any other material contingent liability as at 31 July 2020 (2019: Nil).

DISCLOSURE OF INTERESTS

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

As at 31 July 2020, 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 Director	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 2020, 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 2020, 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%
Pan Guorong	Beneficial owner	30,000,000	7.30%
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%

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

Save as disclosed above, as at 31 July 2020, 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 and substantial Shareholders, during the year ended 31 July 2020, 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 2020, 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 2020, save as disclosed below, the Company had complied with the applicable code provisions of the 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 Code, the roles of the chairman and chief executive should be separate and should not be performed by the same individual. During the year ended 31 July 2020, there have been no chief executive in the Company. Mr. Lin Ye acted as the Chairman of the Board, 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 at present and believe the absence of the chief executive will not have 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 Code if necessary.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of standards set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by Directors in respect of the shares of the Company (the "**Code of Conduct**"). The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct during the year ended 31 July 2020.

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 option has been granted since the adoption of the Scheme and there was no share option outstanding as at 31 July 2020.

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.

INDEPENDENT AUDITOR

Moore Stephens CPA Limited ("**Moore**") has been appointed as the auditors 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 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.

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in respect of the Company's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes to the consolidated financial statements thereto for the year ended 31 July 2020 as set out in this announcement have been agreed by the Company's auditor, Moore, to the amounts as set out in the Company's audited financial statements for the year ended 31 July 2020 and the amounts were found to be in agreement. The work performed by Moore in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's independent auditor.

AUDIT COMMITTEE

The Company has established 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.

The Audit Committee has reviewed this announcement and the audited consolidated financial statements of the Group for the year ended 31 July 2020.

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 had 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. The review hearing of the GEM Listing Committee Decision by the GEM Listing Review Committee took place on 22 October 2019. On 31 October 2019, the Company received a fax from the GEM Listing Review Committee that they had decided to uphold the GEM Listing Committee Decision (the "**GEM Listing Review Committee Decision**").

In view of the GEM Listing Review Committee Decision, the Company is required to re-comply with Rule 17.26 of the GEM Listing Rules and it will have a remedial period of 12 months to re-comply with Rule 17.26 of the GEM Listing Rules. If the Company fails to do so by the expiry of the 12-month period (i.e. 31 October 2020), the Stock Exchange will proceed with cancellation of the Company's listing.

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on Friday, 1 November 2019. Further announcement(s) will be made by the Company as and when appropriate and in accordance with the requirements of the GEM Listing Rules.

For more details, please refer to the announcements of the Company dated 4 August 2020, 29 April 2020, 30 January 2020, 1 November 2019, 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 27 November 2020 (Friday), at 11:00 a.m., at Unit 2918, 29th Floor, Shui on Centre, No. 6–8 Harbour Road, Wanchai, Hong Kong.

For determining entitlement to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from 24 November 2020 (Tuesday) to 27 November 2020 (Friday) , 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 23 November 2020 (Monday).

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, 28 September 2020

As at the date of this announcement, the executive Directors are Mr. Lin Ye, Mr. Au Siu Chung, 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.