

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

FULFILLMENT OF RESUMPTION CONDITION AND RESUMPTION OF TRADING

Financial Adviser to the Company



References are made to the announcements of China All Nation International Holdings Group Limited (the “**Company**”) dated 3 May 2019, 10 May 2019, 29 July 2019, 2 August 2019, 11 October 2019, 1 November 2019, 30 January 2020, 29 April 2020, 4 August 2020 and 30 October 2020 respectively in relation to, among other things, the suspension of trading in the shares of the Company (the “**Shares**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (collectively, the “**Announcements**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

FULFILLMENT OF RESUMPTION CONDITION

As disclosed in the Announcements, the Stock Exchange requested the Company to demonstrate its re-compliance with Rule 17.26 of the GEM Listing Rules (the “**Resumption Condition**”) within a remedial period of twelve months.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that the Company had demonstrated to the Stock Exchange through various submissions, that the Company had before 31 October 2020 fulfilled the Resumption Condition, details of which are stated as follows:

To demonstrate its compliance with Rule 17.26 of the GEM Listing Rules

The Group continues to be principally engaged in sub-leasing and management business (the “**Sub-Leasing Business**”), interior design and decoration services as well as the provision of civil engineering consulting, contracting, project management (the “**Original**

Business”). The Group currently has business operations in Hong Kong and the People’s Republic of China (the “**PRC**”).

The Board has been adopting various measures to improve the business capabilities of the Group, including but not limited to (i) actively sourcing new contracts to maintain the growth momentum; (ii) implementing measures to improve profitability; (iii) implementing strategies to diversify overall business risks; (iv) implementing stringent cost control measures; and (v) implementing control measures to minimise the impact of COVID-19 outbreak.

The Company published the audited consolidated results of the Group for the year ended 31 July 2020 on 28 September 2020. Based on its audited consolidated annual results for the year ended 31 July 2020, the Group’s revenue recorded substantial growth of approximately 82.6% as compared to the previous year, and the Group’s financial results turned around to net profit of approximately HK\$11.8 million for the year ended 31 July 2020 from the net loss of approximately HK\$3.7 million for the year ended 31 July 2019. In view of the continuous improvement on the Group’s operational and financial results, the Company has demonstrated to the Stock Exchange its compliance with Rule 17.26 of the GEM Listing Rules.

Set out below is a table showing the breakdown of the revenue for the Group’s business segments for the year ended 31 July 2020:

(HK\$’000)

Sub-leasing of premises	50,310
Sub-leasing management	29,829
Co-work space	5,030
Interior design and decoration	92,770
Original Business	<u>10,483</u>
Total	<u><u>188,422</u></u>

Set out below is a table showing the financial performance of the Group for the year ended 31 July 2020.

(HK\$’000)

Revenue	188,422
Gross profit	58,495
Net profit	<u><u>11,763</u></u>

Sub-leasing of premises

In relation to the sub-leasing of premises business of the Group, the Group has identified a business need and demand for sub-leased office premises in first tier cities in the PRC as there are a growing number of start-up and small-to-medium enterprises in the PRC, which are generally limited in scale and may not be able to afford, and/or not required, to lease the whole floor of grade-A commercial buildings and/or commercial buildings in prime locations. As such, taking advantage of the Group's listing status and financial resources, the Group sources suitable office premises and enters into head leases with the landlords with a view of further sub-dividing the office premises and sub-leasing to the sub-tenants.

The Group has its own competitive edges for its sub-leasing of premises business which include, among others, (i) the Group possesses the industry know-how and expertise in sub-leasing planning and management; (ii) the Group provides high value of leasing to the sub-tenants; (iii) the Group provide integrated and one-stop interior design and decoration business services to the sub-tenants; (iv) the listing status of the Group on the Stock Exchange allows it to gain trust from both the landlords and sub-tenants; and (v) the Group offers comprehensive value-adding services (i.e. offering of co-use facilities including conference rooms, reception and pantry) to the sub-tenants.

Set out below are the total leased area, vacant area and vacancy rates of the sub-leasing of premises as at 31 July 2019 and 2020 respectively.

	As at	
	31 July 2019	31 July 2020
Total leased area (sq.m.)	26,611	32,028
Total vacant area (sq.m.)	4,895	2,709
Vacancy rate	<u>18.4%</u>	<u>8.5%</u>

It is noted that the vacancy rate of the Group's sub-leased premises recorded a declining trend during the two years ended 31 July 2019 and 2020. While rental costs of the head leases represent the major cost component, the lower vacancy rate indicates that the Group was able to achieve higher utilisation of its sub-leased premises and hence generate higher revenue therefrom. In view of the relatively stable monthly rental costs of the Group's head leases, the decreasing vacancy rate resulted in higher gross profit and gross profit margin of the sub-leasing of premises for the year ended 31 July 2020.

Set out below are details of the sub-leasing of premises (including number of leased premises, size of contracted gross floor area, number of sub-tenants/customers and number of sub-leasing contracts) as at 31 July 2019 and 2020 respectively:

	As at 31 July 2019				As at 31 July 2020			
	Number of leased premises	Size of contracted gross floor area (m ²)	Number of sub-tenants/customers	Number of sub-leasing contracts	Number of leased premises	Size of contracted gross floor area (m ²)	Number of sub-tenants/customers	Number of sub-leasing contracts
Sub-leasing of premises	8	26,611	84	90	8	32,028	109	117

Furthermore, the Group's historical renewal rate of the expired contracts for the sub-leasing of premises and co-work space (up to 31 August 2020) was approximately 89.3%. Such renewal rate was calculated based on the number of contracts for sub-leased premises/co-work space that the Group successfully renewed with existing customers or secured new customers within one month after the expiration of such contracts. On the other hand, the Group's historical replacement rate of the contracts which were early terminated by customers (up to 31 August 2020) was approximately 74.7%. Such replacement rate was calculated based on the number of early-terminated leases for which the Group was able to secure new customers within a two-month period. The Directors consider that the two-month period is an appropriate timeframe to assess the renewal rate of the early-terminated leases because the Group would generally collect deposits equivalent to two to three monthly rental amount from the customers and the Group reserves the rights to forfeit such deposits if the customers terminate the leases prior to the expiry dates. Taking into account the historical renewal rate for the contracts which (i) expired in accordance with the terms of the contracts entered into with the customers; and (ii) were terminated by the customers prior to the expiry dates, the Group's average renewal rate was approximately 80.0%.

Set out below is the breakdown of the number of the Group's existing contracts under the sub-leasing of premises sub-segment as at 15 September 2020, which will fall due in the year ending 31 July 2021, 31 July 2022, 31 July 2023 and the period of 1 August 2023 onwards.

	For the year ending 31 July 2021	For the year ending 31 July 2022	For the year ending 31 July 2023	For the period of 1 August 2023 onwards	Total
Number of existing sub-leasing of premises contracts as at 15 September 2020 which will fall due in respective years	48	58	9	5	120

In the future, the Group plans to continue to scout for grade-A commercial buildings and/or commercial buildings in prime locations as there is a growing number of startup and small-to-medium enterprises in the PRC, which further boosts the demand for sub-leased premises. The Group will target properties which are located at the city centre in the first-tier cities and close to major transportation hub. This will enhance the attractiveness of the Group's sub-leased premises and maintain its market positioning to target at those small enterprises looking for premier office premises in prime locations. In addition, the Group will search for properties with high opportunity and potential for optimisation and sub-leased works to increase the utilisation so as to maximise returns.

Sub-leasing management

In relation to the sub-leasing management business of the Group, this business is a demand-driven service which targets at enterprises requiring national presence. Typically, nationwide and large-scale enterprises would maintain an in-house leasing department for handling the leasing matters across different regions in the PRC. However, maintaining such a department is costly and, more importantly, burdensome to the enterprises as the service nature was generally unrelated to their principal businesses. Therefore, this gives rise to the demand for the sub-leasing management, of which the Group acts as a one-stop service provider to fulfil all leasing needs and deal with different leasing issues on behalf of the customers. The customers will only need to communicate their needs to the Group, instead of negotiating with different landlords located in different cities in the PRC one by one, and thus the Group's sub-leasing management services will be able to minimise the customers' efforts and resources, which could in turn be utilised in an effective manner on their core revenue generating operations.

The Group has its own competitive edges for its sub-leasing management business which include, among others, (i) the Group's extensive experiences of property management and established network with landlords allow the Group to provide high quality sub-leasing management; (ii) the Group offers tailor-made and comprehensive services to cater for different needs of customers; and (iii) the Group has built up a professional image by taking advantage of the operations of its sub-leasing business as a whole and its listing status.

The business operations of the sub-leasing management has been expanding steadily and the number of customers and contracts under the sub-leasing management demonstrated a growing trend. Set out below are the summary of the number of customers and contracts and the total leased area under the sub-leasing management as at 31 July 2019 and 31 July 2020 respectively.

	As at	
	31 July 2019	31 July 2020
Number of customers	5	12 <i>(Note)</i>
Number of contracts	77	141
Total leased area (sq.m.)	<u>32,581</u>	<u>59,732</u>

Note: The Group entered into sub-leasing management contracts with certain subsidiaries of an insurance company in the PRC. If considering these subsidiaries as a single customer, the number of customers would be 9 as at 31 July 2020.

Set out below is the summary of the number of the Group's existing contracts under the sub-leasing management sub-segment as at 15 September 2020, which will fall due in the year ending 31 July 2021, 31 July 2022, 31 July 2023 and the period of 1 August 2023 onwards.

	For the year ending 31 July 2021	For the year ending 31 July 2022	For the year ending 31 July 2023	For the period of 1 August 2023 onwards	Total
Number of existing sub-leasing management contracts as at 15 September 2020 which will fall due in respective years	39	47	33	25	144

In the future, the Group will stay abreast of the latest market trend, particularly to keep updating its database and sources in respect of searching for potential properties in different cities so as to fulfil customers' specifications. The Group will continue to provide professional training to its customer service representatives for them to solve the customers' leasing issues timely and maintaining good relationship with the customers. The Group will also explore to expand its communication channel and put additional resources on online communication with a view to enhancing user experiences and providing assistances in a more timely and effective manner. In addition, the Group will continue to build up its business network with third-party service providers. As customers may request the Group to assist in different leasing services in different cities, building up an extensive network with third-party service providers will allow the Group to offer more comprehensive services to the customers.

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 the Group's 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.

Interior design and decoration

The Group commenced its interior design and decoration business in the PRC in early 2019 with the assistance of its Hong Kong decoration business team in order to tap into the demand for design and decoration from the Group's sub-tenants. With the continuous expansion of the sub-leasing business, the design and decoration provided by the Group has become an integral part of the business and a special feature of the Group's one-stop services. The Group is able to secure projects from external customers due to its experiences and track record from the design and decoration services for the sub-leasing business. For the provision of the design and decoration services to the Group's sub-tenants, the Group will focus on training and developing customer service representatives in their soft skills on relationship building which include negotiation skills, communications skills and business acumen. As some of the Group's sub-tenants may not be aware of the Group's one-stop service offerings, the Group has to depend on the customer service representatives, who will deal with the sub-tenants when they commence the business relationship with the Group and on a day-to-day basis, to promote the interior design and decoration business of the Group to the sub-tenants.

The Group has its own competitive edges for its interior design and decoration business which include, among others, (i) the Group has built up relationship with the landlords and is familiar with the conditions of the sub-leased premises, it is generally easier and incurs less management costs for the design and decoration services provided to the Group's sub-tenants; and (ii) the Group has established and maintained stable relationships with its major subcontractors and material suppliers as it has continuously engaged them for design and decoration services for its sub-tenants.

Set out below are the breakdown of revenue and the number of customers of the interior design and decoration business generated from the Group's sub-tenants and external customers for the year ended 31 July 2020.

	For the year ended 31 July 2020	
	Total revenue (HK\$'000)	Number of customers
External customers		
— PRC	39,314	3
— Hong Kong	24,493	15 <i>(Note)</i>
Sub-total	<u>63,807</u>	<u>18</u>
Sub-tenants (PRC)		
— Sub-leasing of premises	24,330	8
— Sub-leasing management	4,633	3 <i>(Note)</i>
Sub-total	<u>28,963</u>	<u>11</u>
Total	<u><u>92,770</u></u>	<u><u>29</u></u>

Note: Certain customers have awarded two or multiple projects to the Group.

Going forward, the Group aims to build up business relationship with different property developers, consultants and subcontractors in the market. It will make efforts to interact with the industry regulators and players by participating in seminars, trade shows and exhibitions. The Group will engage in online marketing to promote its business operations and enhance awareness. These business development efforts will connect the Group with stakeholders in the industry and will also increase the chance of securing new projects.

Original Business

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

Looking forward, the Directors will continue to develop the Original Business in Hong Kong while at the same time continue its expansion of the Group's other businesses in the PRC. Furthermore, the Directors are optimistic on the development of the Original

Business 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.

With the above businesses, the Group recorded an aggregated positive cash flow generated from operating activities in the ordinary and usual course of business before changes in working capital and taxes paid for the two years ended 31 July 2019 and 2020 of approximately HK\$81,295,000. As such, the Company respectfully submits that it has fulfilled the Resumption Condition in demonstrating its compliance with Rule 17.26 of the GEM Listing Rules.

IMPACT OF THE OUTBREAK OF COVID-19

The outbreak of COVID-19 has affected the macroeconomic condition of the PRC and thus the Group’s operations of the Sub-Leasing Business which were conducted in the PRC.

In assessing the impact of the outbreak of COVID-19, the Directors assessed the operating as well as financial data of the Group.

The Company respectfully submits that the number of sub-leasing contracts and sub-tenants actually increased from 167 and 89, respectively as at 31 July 2019 to 258 and 121, respectively as at 31 July 2020.

The Group’s size of contracted gross floor area recorded an increase as at 31 July 2020 comparing with that as at 31 July 2019.

The Group has also recorded an increase of approximately HK\$85.3 million or approximately 82.6% in audited revenue from approximately HK\$103.2 million for the year ended 31 July 2019 to approximately HK\$188.4 million for the year ended 31 July 2020, and improved from a net loss of approximately HK\$3.7 million for the year ended 31 July 2019 to a net profit of approximately HK\$11.8 million for the year ended 31 July 2020.

Based on the above operating and financial data, the Directors are of the view that such increase demonstrated the development of the Group’s Sub-Leasing Business and that the negative impact of COVID-19 to the Group’s Sub-leasing Business is not material.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 November 2019. As the Resumption Condition has been fulfilled, an application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 17 November 2020.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

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

Hong Kong, 16 November 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.