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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 2021

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 2021

For the year ended 31 July 2021:

- (1) the Group's total revenue has decreased by 11.4% to approximately HK\$166.9 million (2020: approximately HK\$188.4 million) which was mainly due to:
 - (i) decrease in revenue of the Group's interior design and decoration business by 38.1% to approximately HK\$57.4 million (2020: approximately HK\$92.8 million);
 - (ii) increase in revenue of the Group's property sub-leasing and management business in the PRC by 13.2% to approximately HK\$96.4 million (2020: approximately HK\$85.2 million); and
 - (iii) increase in revenue of the Group's commodity trading business in the PRC to approximately HK\$4.9 million (2020: Nil).
- (2) gross profit of the Group has decreased by 12.2% to approximately HK\$51.3 million (2020: approximately HK\$58.5 million)
- (3) gross profit margin remained steady at 30.8% (2020: 31.0%)
- (4) the business of the Group recorded a profit after tax of approximately HK\$17.0 million for the year ended 31 July 2021, which represented an increase of 44.9%, as compared to a profit after tax of approximately HK\$11.8 million for the year ended 31 July 2020
- (5) the Company recorded a profit attributable to the owners of the Company of approximately HK\$17.1 million for the year ended 31 July 2021 as compared to a profit attributable to the owners of the Company in the amount of approximately HK\$11.7 million for the year ended 31 July 2020
- (6) basic and diluted earnings per share based on weighted average number of ordinary shares was approximately HK4.15 cents (2020: earning per share of approximately HK2.83 cents)

The Board did not recommend the payment of a final dividend for the year ended 31 July 2021 (2020: Nil).

ANNUAL RESULTS FOR THE YEAR ENDED 31 JULY 2021

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 2021 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 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	4	166,860	188,422
Cost of services		<u>(115,519)</u>	<u>(129,927)</u>
Gross profit		51,341	58,495
Other income and gains	5	8,577	4,206
Administrative and other operating expenses		(18,018)	(20,624)
Reversal of/(provision for) impairment losses on financial assets, net		164	(50)
Finance costs		<u>(17,344)</u>	<u>(21,075)</u>
Profit before income tax	6	24,720	20,952
Income tax expense	7	<u>(7,675)</u>	<u>(9,189)</u>
Profit for the year		<u>17,045</u>	<u>11,763</u>
Other comprehensive income/(expenses) for the year			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of foreign operations		<u>6,607</u>	<u>(731)</u>
Total comprehensive income for the year, net of income tax		<u>23,652</u>	<u>11,032</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the year ended 31 July 2021

	Note	2021 HK\$'000	2020 HK\$'000
Profit/(loss) for the year attributable to:			
Owners of the Company		17,050	11,650
Non-controlling interests		<u>(5)</u>	<u>113</u>
		<u>17,045</u>	<u>11,763</u>
Total comprehensive income/(expenses) for the year attributable to:			
Owners of the Company		23,657	10,919
Non-controlling interests		<u>(5)</u>	<u>113</u>
		<u>23,652</u>	<u>11,032</u>
Earnings per share attributable to the owners of the Company			
– Basic and diluted (HK cents)	8	<u>4.15</u>	<u>2.83</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment	10	776	1,314
Investment properties		58,306	95,937
Right-of-use assets		249	1,155
Finance lease receivables		58,628	52,864
Goodwill		230	230
Deposits paid	12	12,422	21,935
		<u>130,611</u>	<u>173,435</u>
Current assets			
Trade receivables	11	15,626	21,661
Contract assets	11	8,685	22,651
Finance lease receivables		51,878	45,342
Prepayments, deposits paid and other receivables	12	24,957	15,742
Restricted cash	13	–	1,635
Cash and cash equivalents	13	112,830	82,696
		<u>213,976</u>	<u>189,727</u>
Current liabilities			
Trade and other payables, deposits received and accruals	14	38,798	43,574
Contract liabilities	14	–	430
Loan from a shareholder		14,600	–
Lease liabilities		68,630	72,179
Tax payable		4,278	4,844
		<u>126,306</u>	<u>121,027</u>
Net current assets		<u>87,670</u>	<u>68,700</u>
Total assets less current liabilities		<u>218,281</u>	<u>242,135</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current liabilities			
Deposits received	14	10,924	18,683
Deferred tax liabilities		2,123	2,264
Loan from a shareholder		–	13,123
Lease liabilities		<u>82,944</u>	<u>110,182</u>
		<u>95,991</u>	<u>144,252</u>
Net assets		<u><u>122,290</u></u>	<u><u>97,883</u></u>
Equity			
Share capital	15	4,112	4,112
Reserves		<u>118,178</u>	<u>94,521</u>
Equity attributable to owners of the Company		122,290	98,633
Non-controlling interests		<u>–</u>	<u>(750)</u>
Total equity		<u><u>122,290</u></u>	<u><u>97,883</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2021

	Attributable to owners of the Company				Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Sub-total HK\$'000		
Balance as at 1 August 2019	<u>4,112</u>	<u>24,394</u>	<u>52,643</u>	<u>81,149</u>	<u>(863)</u>	<u>80,286</u>
Profit for the year	–	–	11,650	11,650	113	11,763
Other comprehensive expenses for the year						
Exchange differences on translation of financial statements of foreign operations	<u>–</u>	<u>–</u>	<u>(731)</u>	<u>(731)</u>	<u>–</u>	<u>(731)</u>
Total comprehensive income for the year	<u>–</u>	<u>–</u>	<u>10,919</u>	<u>10,919</u>	<u>113</u>	<u>11,032</u>
Deemed capital contribution arising from non-current interest-free shareholder's loan	<u>–</u>	<u>–</u>	<u>6,565</u>	<u>6,565</u>	<u>–</u>	<u>6,565</u>
As at 31 July 2020 and 1 August 2020	<u><u>4,112</u></u>	<u><u>24,394</u></u>	<u><u>70,127</u></u>	<u><u>98,633</u></u>	<u><u>(750)</u></u>	<u><u>97,883</u></u>
Profit/(loss) for the year	–	–	17,050	17,050	(5)	17,045
Other comprehensive income for the year						
Exchange differences on translation of financial statements of foreign operations	<u>–</u>	<u>–</u>	<u>6,607</u>	<u>6,607</u>	<u>–</u>	<u>6,607</u>
Total comprehensive income/ (expenses) for the year	<u>–</u>	<u>–</u>	<u>23,657</u>	<u>23,657</u>	<u>(5)</u>	<u>23,652</u>
Disposal of a subsidiary (<i>Note 16(a)</i>)	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>755</u>	<u>755</u>
As at 31 July 2021	<u><u>4,112</u></u>	<u><u>24,394</u></u>	<u><u>93,784</u></u>	<u><u>122,290</u></u>	<u><u>–</u></u>	<u><u>122,290</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2021

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 issued shares are listed on GEM of the Stock Exchange. With effect from 17 November 2020, trading in the shares of the Company on the Stock Exchange has been resumed.

The registered office address of the Company is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands with effect from 16 December 2020. 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**”), interior design services and decoration works in both Hong Kong and the PRC, and commodity trading business in the PRC.

The consolidated financial statements were approved for issue by the Board on 30 September 2021.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all individual HKFRSs, 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. The 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 “**GEM Listing Rules**”).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2021

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 2021 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 subsidiary incorporated in the British Virgin Islands (the “**BVI**”) and subsidiaries incorporated in Hong Kong are Hong Kong dollars (“**HK\$**”) and subsidiaries established in the People’s Republic of China (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 the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant, are disclosed in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2021

3. ADOPTION OF NEW OR AMENDMENTS TO HKFRSs

Adoption of amendments to HKFRSs

In the current year, the Group has adopted for the first time the following amendments to HKFRSs issued by the HKICPA, which are relevant and mandatorily effective for the Group's consolidated financial statements for the accounting period beginning on or after 1 August 2020.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of the amendments to HKFRSs in the current year has had no material impact on the Group's financial position and performance for the current and prior periods and/or on the disclosures set out in the consolidated financial statements.

Impact on early adoption of Amendments to HKFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021" (the "2021 Amendments")

The Group has early adopted the Amendments to HKFRS 16 "Covid-19-Related Rent Concessions" in prior year and the 2021 Amendments in the current year. The 2021 Amendments extend the availability of the practical expedient set out in paragraph 46A of HKFRS 16 to rent concessions on or before 30 June 2022. The early adoption of the 2021 Amendments has had no impact on the opening accumulated losses as at 1 August 2020 and the financial position and financial performance for the current year.

During the current year, certain lessors agreed to waive or reduce lease payments on several leases. The Group has derecognised the part of lease liabilities that have been extinguished using the discounts rates originally applied to these leases respectively, resulted in decrease in lease liabilities of approximately HK\$3,141,000, which have been accounted for as variable lease payment and recognised as "Other income and gains" (Note 5) in profit or loss during the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2021

3. ADOPTION OF NEW OR AMENDMENTS TO HKFRSs – *continued*

New or amendments to HKFRSs not yet effective

The following are new or amendments to HKFRSs that have been published and are mandatory for the Group's accounting periods beginning after 1 August 2021, but have not been early adopted by the Group.

		Effective for annual reporting periods beginning on or after
Amendment to AG 5	Accounting Guideline 5 Merger Accounting for Common Control Combinations (Revised)	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its associate or Joint Venture	To be determined*
HKFRS 17	Insurance contracts and related Amendments	1 January 2023 ^{##}
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023 [#]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 Cycle	1 January 2022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2021

3. ADOPTION OF NEW OR AMENDMENTS TO HKFRSs – *continued*

New or amendments to HKFRSs not yet effective – *continued*

- * On 6 January 2016, the HKICPA issued “Effective Date of Amendments to HKFRS 10 and HKAS 28” following the International Accounting Standard Board’s equivalent amendments. This update defers/removes the effective date of the amendments in “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” that the HKICPA issued on 7 October 2014. Early application of these amendments continues to be permitted.
- # As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion.
- ## As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemptions that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2021

4. REVENUE AND SEGMENT INFORMATION

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

	2021 HK\$'000	2020 HK\$'000
Revenue from property sub-leasing:		
Gross rental income	64,475	56,027
Finance income on finance lease receivables	8,869	8,419
Net income from sub-leasing right-of-use assets	10,938	11,735
Revenue from contracts with customers within the scope of HKFRS 15, types of goods or services:		
Contracting	8,200	10,483
Interior design and decoration work	57,423	92,770
Property management fee income and value-adding services	12,094	8,988
Commission income from commodity trading	4,861	–
	<u>166,860</u>	<u>188,422</u>

The Group has applied the practical expedient in paragraph 121 of 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 recognise as revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2021

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 (the “CODM”), 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 work: Provision of interior design services and decoration works in Hong Kong and the PRC.

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

Commodity trading: Provision of arrangement services in trading of non-ferrous metals in the PRC.

During the year ended 31 July 2021, the Directors have identified a new business segment “Commodity trading” upon the establishment of Guangzhou Desheng Technology Co., Ltd., a limited liability company established in the PRC which was principally engaged in commodity trading arrangement 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 income, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2021

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 work HK\$'000	Property sub- leasing and management service HK\$'000	Commodity trading HK\$'000	Total HK\$'000
Year ended 31 July 2021					
Revenue from external customers and disaggregated by timing of revenue recognition					
Over time	8,200	57,423	96,376	–	161,999
Point in time	–	–	–	4,861	4,861
	<u>8,200</u>	<u>57,423</u>	<u>96,376</u>	<u>4,861</u>	<u>166,860</u>
Reportable segment profit	<u>787</u>	<u>10,195</u>	<u>18,615</u>	<u>3,974</u>	<u>33,571</u>
Unallocated corporate income					2,175
Unallocated corporate expenses					(11,026)
Profit before income tax					24,720
Income tax expense					(7,675)
Profit for the year					<u>17,045</u>
Included in segment results are:					
Unwinding of imputed interest on shareholder's loan	–	–	1,477	–	1,477
Depreciation of investment properties	–	–	43,824	–	43,824
Depreciation of property, plant and equipment	–	2	750	1	753
Reversal of impairment loss on financial assets, net	(7)	(72)	(85)	–	(164)
	<u>–</u>	<u>–</u>	<u>1,477</u>	<u>–</u>	<u>1,477</u>
At 31 July 2021					
Segment assets	2,849	19,124	200,617	86	222,676
Cash and cash equivalents					112,830
Unallocated assets					9,081
Consolidated total assets					<u>344,587</u>
Included in segment assets are:					
Additions to non-current assets	–	–	1,386	13	1,399
	<u>–</u>	<u>–</u>	<u>1,386</u>	<u>13</u>	<u>1,399</u>
Segment liabilities	–	16,267	197,139	1,134	214,540
Tax payable					4,278
Deferred tax liabilities					2,123
Unallocated liabilities					1,356
Consolidated total liabilities					<u>222,297</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2021

4. REVENUE AND SEGMENT INFORMATION – *continued*

Segment reporting – *continued*

	Contracting HK\$'000	Interior design and decoration work HK\$'000	Property sub- leasing and management service HK\$'000	Total HK\$'000
Year ended 31 July 2020				
Revenue from external customers and disaggregated by timing of revenue recognition				
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 income				924
Unallocated corporate expenses				(14,868)
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
(Reversal of)/Provision for impairment losses on financial assets, net	86	(152)	116	50
At 31 July 2020				
Segment assets	12,368	37,310	224,937	274,615
Cash and cash equivalents				84,331
Unallocated assets				4,216
Consolidated total assets				363,162
Included in segment assets are:				
Additions to non-current assets	–	–	28,930	28,930
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

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

Certain comparative figures have been reclassified to conform to the current period's presentation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2021

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 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 asset.

	Revenue		Non-current assets	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	30,630	34,976	321	2,375
PRC	136,230	153,446	130,290	171,060
	<u>166,860</u>	<u>188,422</u>	<u>130,611</u>	<u>173,435</u>

Information about major customers

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

	2021	2020
	HK\$'000	HK\$'000
Customer A ¹	48,503	37,171
Customer B ²	N/A ³	20,660
Customer C ¹	<u>21,452</u>	<u>N/A⁴</u>

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 customer contributed less than 10% of the total revenue for the year ended 31 July 2021.

⁴ The customer contributed less than 10% of the total revenue for the year ended 31 July 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2021

5. OTHER INCOME AND GAINS

	2021 HK\$'000	2020 HK\$'000
Bank interest income	1,328	514
Gain on disposal of a subsidiary	1,296	–
Gain on derecognition upon termination of leases of investment properties and lease liabilities, net	408	268
Gain on lease modification	839	–
Rent concessions (<i>Note (a)</i>)	3,141	1,594
Government grant (<i>Note (b)</i>)	432	–
Tax relief on value-added tax (<i>Note (c)</i>)	1,057	828
Others	76	137
Gain on disposal of property, plant and equipment	–	98
Management fee income	–	660
Net foreign exchange gains	–	107
	<u>8,577</u>	<u>4,206</u>

Notes:

- (a) 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 years ended 31 July 2021 and 2020. The concession does not constitute to the lease modification by applying practical expedient that meets the conditions in paragraph 46B of HKFRS 16.
- (b) The government grants recognised for the year ended 31 July 2021 were the approved subsidies from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme as promulgated by the Government of the Hong Kong Special Administrative Region of the PRC. As at 31 July 2021, there are no unfulfilled conditions or other contingencies attached to these grants (2020: Nil).
- (c) Following the announcements issued by the China's State Council concerning the value-added tax ("VAT"), the PRC government has announced that for the period from 1 April 2019 to 31 December 2021, the taxpayers in specified industries are eligible for a 10% "Super deduction" by increasing their input VAT credits by 10%. Such changes were applied to several sectors including leasing industry, and the Group has an unconditional right to the above deduction when the application is approved by the relevant authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2021

6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2021 HK\$'000	2020 HK\$'000
Auditors' remuneration		
– Audit services	860	1,190
– Non-audit services (<i>Note</i>)	516	258
	<u>1,376</u>	<u>1,448</u>
Depreciation of property, plant and equipment* (<i>Note 10</i>)	789	1,455
Depreciation of investment properties	43,824	37,635
Depreciation of right-of-use assets	880	854
Direct operating expenses (including repairs and maintenance, depreciation of investment properties and depreciation of leasehold improvements) arising on rental-earning subleasing business	57,687	47,053
Sub-contracting costs recognised as an expense	50,710	74,864
Loss on derecognition upon termination of leases of finance lease receivables and lease liabilities, net	4,324	1,383
Expenses relating to short-term leases [#]	5,771	3,088
Employee benefits expense (including directors' emoluments)**:		
– Salaries and allowances	9,072	11,078
– Retirement benefit scheme contributions (defined contribution scheme)	530	473
Other expenses ^{##}	419	2,493
Write-off of property, plant and equipment (<i>Note 10</i>)	–	272

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2021

6. PROFIT BEFORE INCOME TAX – *continued*

- * Depreciation of property, plant and equipment of approximately HK\$744,000 (2020: approximately HK\$1,175,000) and approximately HK\$45,000 (2020: approximately HK\$280,000) has been included in cost of services and administrative and other operating expenses respectively.
- ** Employee benefit expense (including directors' emolument) of approximately HK\$721,000 (2020: approximately HK\$2,148,000) and approximately HK\$8,881,000 (2020: approximately HK\$9,403,000) has been included in cost of services and administrative and other operating expenses respectively.
- # Expenses relating to short-term leases of approximately HK\$5,750,000 (2020: approximately HK\$2,232,000) and approximately HK\$21,000 (2020: approximately HK\$856,000) 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 maintaining the listing status of the Company.

Note:

Non-audit services for the year ended 31 July 2021 represented services provided by the Company's auditor for review engagement and agreed-upon procedures in respect of the Group's interim result and quarter results announcements, respectively.

7. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

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 (2020: Same).

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 2021 (2020: 25%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2021

7. INCOME TAX EXPENSE – *continued*

	2021	2020
	HK\$'000	HK\$'000
Current tax – PRC EIT		
Charge for the year	8,619	9,509
Over-provision in respect of prior years	(612)	–
Deferred tax	<u>(332)</u>	<u>(320)</u>
Income tax expense	<u>7,675</u>	<u>9,189</u>

The income tax expense for the year are reconciled from the profit before income tax as follows:

	2021	2020
	HK\$'000	HK\$'000
Profit before income tax	<u>24,720</u>	<u>20,952</u>
Tax at the applicable rates in the tax jurisdictions concerned	6,971	6,903
Tax effect of income not taxable for tax purposes	(341)	(753)
Tax effect of expenses not deductible for tax purpose	386	1,560
Tax effect of deductible temporary differences not recognised	2	66
Utilisation of previously unrecognised tax losses	(75)	(40)
Tax effect of tax losses not recognised	1,587	1,453
Tax effect of tax concession	(243)	–
Over-provision in respect of prior years	<u>(612)</u>	<u>–</u>
Income tax expense	<u>7,675</u>	<u>9,189</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2021

7. INCOME TAX EXPENSE – *continued*

Deferred tax assets are recognised for tax loss carry-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of approximately HK\$6,269,000 (2020: approximately HK\$5,364,000) in respect of losses amounting to approximately HK\$37,996,000 (2020: approximately HK\$32,511,000) due to the unpredictability of future profit streams. 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 recognised in consolidated statement of financial position, the Group did not have deferred 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 2021 (2020: Same).

8. EARNINGS PER SHARE

	2021 HK\$'000	2020 HK\$'000
Profit attributable to owners of the Company	<u>17,050</u>	<u>11,650</u>
	Number of Shares '000	Number of shares '000
Weighted average number of ordinary shares in issue for the purpose of basic and diluted earnings per share	<u>411,200</u>	<u>411,200</u>

There were no dilutive potential ordinary shares during the year ended 31 July 2021 (2020: Nil) and therefore, the amount of diluted earnings per share is same as the amount of basic earnings per share.

9. DIVIDENDS

No interim dividend was declared for the year (2020: Nil).

The Board did not recommend a payment of final dividend for the year ended 31 July 2021 (2020: Nil). No dividend has been paid or declared by the Company since its incorporation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2021

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 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)
	<u>2,460</u>	<u>2,020</u>	<u>–</u>	<u>4,480</u>
At 31 July 2020 and 1 August 2020	2,460	2,020	–	4,480
Additions	147	13	–	160
Exchange realignment	201	86	–	287
	<u>2,808</u>	<u>2,119</u>	<u>–</u>	<u>4,927</u>
At 31 July 2021	2,808	2,119	–	4,927
Accumulated depreciation				
At 1 August 2019	2,357	1,471	229	4,057
Charge for the year (<i>Note 6</i>)	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)
	<u>1,794</u>	<u>1,372</u>	<u>–</u>	<u>3,166</u>
At 31 July 2020 and 1 August 2020	1,794	1,372	–	3,166
Charge for the year (<i>Note 6</i>)	503	286	–	789
Exchange realignment	150	46	–	196
	<u>2,447</u>	<u>1,704</u>	<u>–</u>	<u>4,151</u>
At 31 July 2021	2,447	1,704	–	4,151
Net carrying amount				
At 31 July 2020	<u>666</u>	<u>648</u>	<u>–</u>	<u>1,314</u>
At 31 July 2021	<u>361</u>	<u>415</u>	<u>–</u>	<u>776</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2021

11. TRADE RECEIVABLES AND CONTRACT ASSETS

	2021 HK\$'000	2020 HK\$'000
Trade receivables, gross	15,732	22,423
Less: Allowance for credit losses	<u>(106)</u>	<u>(762)</u>
Trade receivables, net (<i>Note (a)</i>)	<u>15,626</u>	<u>21,661</u>
Contract assets, gross	8,694	22,769
Less: Allowance for credit losses	<u>(9)</u>	<u>(118)</u>
Contract assets, net (<i>Note (b)</i>)	<u>8,685</u>	<u>22,651</u>
Total	<u><u>24,311</u></u>	<u><u>44,312</u></u>

Notes:

(a) Trade receivables

	2021 HK\$'000	2020 HK\$'000
Represented by:		
Property sub-leasing and management service	3,474	5,735
Contracting	2,890	4,416
Interior design and decoration work	<u>9,262</u>	<u>11,510</u>
	<u><u>15,626</u></u>	<u><u>21,661</u></u>

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 (2020: Same).

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

	2021 HK\$'000	2020 HK\$'000
1–30 days	13,604	19,069
31–60 days	200	54
61–90 days	–	54
91–365 days	1,822	2,334
Over 365 days	<u>–</u>	<u>150</u>
	<u><u>15,626</u></u>	<u><u>21,661</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2021

11. TRADE RECEIVABLES AND CONTRACT ASSETS – *continued*

Notes: – continued

(a) Trade receivables – *continued*

The ageing analysis of trade receivables, net of loss allowance, based on due date as at 31 July 2021, is as follows:

	2021 HK\$'000	2020 HK\$'000
Neither past due nor impaired	2,789	5,086
Past due for less than 1 month	12,637	16,281
Past due for more than 1 month but less than 2 months	200	54
Past due for more than 2 months but less than 3 months	–	54
Past due for more than 3 months but less than 1 year	–	36
Past due for more than 1 year	–	150
	<u>15,626</u>	<u>21,661</u>

As at 31 July 2021, trade receivables with aggregate carrying amount of approximately HK\$12,837,000 (2020: approximately HK\$16,575,000) were past due. Out of the past due balances, none (2020: aggregate carrying amount of approximately HK\$186,000) has been past due over 90 days. The past due balances over 90 days for the year ended 31 July 2020 is not considered as in default due to long and on-going business relationship, good repayment record and good credit quality from these customers. As at 31 July 2021, the Group did not hold any collateral in respect of trade receivables past due but not impaired (2020: Nil).

(b) Contract assets

	2021 HK\$'000	2020 HK\$'000
Retention sum for contract works (<i>Note (i)</i>)	739	2,428
Unbilled revenue of contracts (<i>Note (ii)</i>)	7,946	20,223
	<u>8,685</u>	<u>22,651</u>
Represented by:		
Interior design and decoration work	<u>8,685</u>	<u>22,651</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2021

11. TRADE RECEIVABLES AND CONTRACT ASSETS – *continued*

Notes: – continued

(b) Contract assets – *continued*

Notes:

- (i) 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 sum for contract works are settled in accordance with the terms of the respective contracts. 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 contract works. The relevant amount of contract assets is unsecured and interest-free and reclassified to trade receivables when the final inspection passed.
- (ii) A contract asset, net of contract liability related to the same contract, is recognised over the period in which the services are performed, representing the Group's rights to consideration for work completed to-date and not billed because the rights are conditional upon achieving the agreed milestones in the contract by the Group and the work is pending for the certification by the customers. 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.

In the consolidated statement of financial position, these contract assets were classified as current assets as the Group expects to realise them in its normal operating cycle.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2021

12. PREPAYMENTS, DEPOSITS PAID AND OTHER RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Current		
Prepayments (<i>Note (a)</i>)	4,526	12,641
Deposits paid (<i>Note (c)</i>)	13,830	2,142
Other receivables (<i>Note (b)</i>)	6,601	959
	<u>24,957</u>	<u>15,742</u>
Less: Allowance for credit losses	–	–
	<u>24,957</u>	<u>15,742</u>
Non-current		
Deposits paid (<i>Note (c)</i>)	12,422	21,935
	<u>37,379</u>	<u>37,677</u>

Notes:

- (a) At 31 July 2021, balance includes an amount of approximately HK\$1,998,000 (2020: approximately HK\$1,503,000) which relates to prepaid rentals to certain landlords for leasing of commercial properties in relation to the operating of property sub-leasing business in the PRC.

At 31 July 2021, balance also includes an amount of approximately HK\$583,000 (2020: approximately HK\$9,392,000) 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 2021, balance amounting to approximately HK\$5,395,000 is due from the Buyer (as defined in Note 16(a)) which arisen from the disposal of New Brio Engineering Limited (“NBE”) by the Group (Note 16(a)). The amount is non-interest bearing and no fixed repayment terms. The Directors considered that the expected credit loss is minimal at the end of the reporting period as the credit risk of the Buyer is considered as low by referring to its financial position. Subsequent to the reporting period, the balance has been fully settled.
- (c) The deposits mainly represent the rental deposits paid to the lessors under the business segment of property sub-leasing. The deposits are refundable to the Group at the end of the lease terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2021

13. RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

	2021 HK\$'000	2020 HK\$'000
Restricted cash	—	1,635
Cash at banks	49,188	55,011
Bank deposits	63,633	27,658
Cash on hand	9	27
Cash and cash equivalents	<u>112,830</u>	<u>82,696</u>
Restricted cash and cash and cash equivalents	<u><u>112,830</u></u>	<u><u>84,331</u></u>

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 as defined in notes to the consolidated financial statements.

After assessment of the internal resources of the Group, the Directors 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. Mr. Lin consented to and the Company released the remaining restricted cash for development of the Group's subleasing business. As at 31 July 2021, the Group has no balance of restricted cash in respect of the loan from a shareholder (2020: Nil).

As at 31 July 2020, there is an outstanding arbitration commenced by two sub-contractors (the "Sub-Contractors") against the subsidiary in the PRC of the Group (the "Subsidiary") claiming construction fees, together with the late payments, and unilateral termination of contracts, totaling approximately RMB6,471,200 (equivalent to approximately HK\$7,159,000) (the "Arbitration"). The restricted cash in the bank account of the subsidiary amounted to approximately HK\$1,635,000 which had already been frozen by judicial freezing. Such bank account was released from judicial freezing during the year ended 31 July 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2021

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:

	2021 HK\$'000	2020 HK\$'000
HK\$	37,813	43,293
RMB	75,017	41,038
	<u>112,830</u>	<u>84,331</u>

As at 31 July 2021, included in cash and cash equivalents of the Group is approximately HK\$75,017,000 (2020: approximately HK\$41,034,000) 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

	2021 HK\$'000	2020 HK\$'000
Current		
Trade payables (<i>Note (a)</i>)	18,386	27,590
Receipts in advance	2,122	1,203
Deposits received (<i>Note (b)</i>)	14,022	9,232
Accruals and other payables	4,268	5,549
	<u>38,798</u>	<u>43,574</u>
Contract liabilities (<i>Note (c)</i>)	–	430
	<u>38,798</u>	<u>44,004</u>
Non-current		
Deposits received (<i>Note (b)</i>)	10,924	18,683
	<u>49,722</u>	<u>62,687</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2021

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

Notes:

(a) Trade payables

	2021 HK\$'000	2020 HK\$'000
Represented by:		
Contracting	2,292	9,235
Interior design and decoration work	16,094	18,355
	<u>18,386</u>	<u>27,590</u>

No credit period is granted by suppliers (2020: Same). The ageing analysis of trade payables based on the invoice date is as follows:

	2021 HK\$'000	2020 HK\$'000
0–30 days	4,396	10,006
31–60 days	157	6,983
61–90 days	1,710	–
Over 90 days	12,123	10,601
	<u>18,386</u>	<u>27,590</u>

Retention payables amounted to approximately HK\$1,025,000 (2020: approximately HK\$1,458,000) to sub-contractors of contract works under interior design and decoration work services are interest-free and payable by the Group after the completion of maintenance of the relevant contracts or in accordance with the terms specified in the relevant contracts, generally at 1 year from the completion date of the respective service contracts.

In relation to the Arbitration (as defined in Note 13), 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. As at 31 July 2020, the bank balance of the Subsidiary is amounted to approximately RMB1,478,000 (equivalent to approximately HK\$1,635,000) (Note 13). 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 as at 31 July 2020 included an amount of approximately HK\$3,486,000 which relates to the contracts under the Arbitration and recognised based on the completed works of the Sub-Contractors as at 31 July 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2021

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

Notes: – *continued*

(a) Trade payables – *continued*

The Subsidiary has entered into a supplemental agreement with the customer (the “**Supplemental Agreement**”) of the period under Arbitration. 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).

On 1 April 2021, the Sub-Contractors, the customer and the Subsidiary agreed to settle the Arbitration and entered into a settlement agreement (the “**Settlement Agreement**”) whereby the customer agreed to pay the Sub-Contractors the contract sum for construction works in the amount of RMB3,445,000 (equivalent to approximately HK\$4,144,000); part of the Arbitration costs in the amount of RMB65,000 (equivalent to approximately HK\$78,000) would be borne by the customer; the Subsidiary would apply to release the judicial freeze of the bank account after entering into of the Settlement Agreement; and the parties to the Settlement Agreement would no longer have any legal dispute after the fulfilment of the Settlement Agreement. Moreover, pursuant to a further supplemental agreement entered into between the customer and the Subsidiary, the Subsidiary agreed to refund the customer for the deposit and contract sum received in advance after the customer has fulfilled its obligation under the Settlement Agreement.

On 31 May 2021, the Subsidiary has already refunded the deposit and the contract sum received in advance to the customer and the arrangements in respect of Settlement Agreement and Supplemental Agreement have been settled in full and the bank account of the Subsidiary was released from judicial freezing accordingly.

- (b) As at 31 July 2020, balance amounting to approximately HK\$2,876,000 arose from the deposit received from the customer in relation to the guarantee on the indemnity of the arbitration which has been refunded as mentioned in Note 14(a).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2021

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

Notes: – *continued*

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

Movements in contract liabilities

	2021 HK\$'000	2020 HK\$'000
At the beginning of the year	430	1,392
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)
Disposal of a subsidiary (<i>Note 16(a)</i>)	(430)	–
Increase of receipts in advance from customers	–	430
	<u>–</u>	<u>430</u>
At the end of the year	<u>–</u>	<u>430</u>

When the Group receives a deposit before the contracting 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.

15. SHARE CAPITAL

	Number of ordinary shares '000	Ordinary shares HK\$'000
<i>Ordinary shares of HK\$0.01 each:</i>		
Authorised:		
As at 1 August 2019, 31 July 2020, 1 August 2020 and 31 July 2021	<u>2,000,000</u>	<u>20,000</u>
Issued and fully paid:		
As at 1 August 2019, 31 July 2020, 1 August 2020 and 31 July 2021	<u>411,200</u>	<u>4,112</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2021

16. DISPOSAL OF SUBSIDIARIES

(a) NBE

On 30 December 2020, the Group entered into the sale and purchase agreement to dispose of its entire equity interest in NBE, a 51% indirectly owned subsidiary which is principally engaged in the provision of contracting and interior design and decoration services in Hong Kong, at a consideration of HK\$510,000 to an independent third party (the “Buyer”).

The disposal of NBE was completed on 30 December 2020. Upon completion, NBE ceased to be a subsidiary of the Company and the results, assets and liabilities of NBE were ceased to be consolidated with those of the Group.

The net carrying amounts of assets/(liabilities) of NBE as at the completion date of the disposal are as follows:

	HK\$'000
Trade receivables	496
Prepayments and other receivables	7,977
Contract assets	1,204
Cash and cash equivalents	5
Amount due to immediate holding company [#]	(5,465)
Trade payables and other payables	(5,064)
Contract liabilities	(430)
Tax payable	(264)
	<hr/>
Net liabilities disposed of	(1,541)
NCI at the date of disposal	755
Gain on disposal of a subsidiary (<i>Note 5</i>)	1,296
	<hr/>
Total consideration satisfied by cash	510
Assignment of amount due to immediate holding company to the Buyer [#]	5,465
	<hr/>
	5,975
	<hr/> <hr/>
Cash flow movement in relation to the disposal during the year	
Cash consideration received	510
Cash and cash equivalents disposed of	(5)
	<hr/>
Net cash inflow	505
	<hr/> <hr/>

[#] On the date of disposal, the Buyer has taken up the amount due by NBE of approximately HK\$5,465,000, such balance was reclassified to “Other receivables” (*Note 12(b)*) accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2021

16. DISPOSAL OF SUBSIDIARIES – *continued*

(b) Holy Charm Limited

On 5 February 2020, the Group entered into the share purchase agreement to dispose of its entire equity interest in Holy Charm Limited at a consideration of HK\$1,000 to an independent third party.

The net carrying amounts of assets/(liabilities) of Holy Charm Limited as at the completion date of the disposal are as follows:

	HK\$'000
Right-of-use assets	466
Deposits	193
Cash and cash equivalents	8
Accruals	(200)
Lease liabilities	<u>(466)</u>
Net assets disposed of	1
Gain on disposal of a subsidiary	<u>–</u>
Total cash consideration received	<u><u>1</u></u>
Net cash outflow arising on disposal:	
Cash consideration	<u>(8)</u>
Cash and cash equivalents disposed of	<u><u>(7)</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

During the year under review, the COVID-19 pandemic continues to impact on the global economy. However, the China's economy has recovered at a much faster pace than other countries. All the business segments of the Group, which mainly operated in the PRC and Hong Kong, were slightly affected by the lockdowns and suspension of business activities in 2020.

The Company is an investment holding company and its subsidiaries are principally engaged in its original businesses of provision of contracting, project management and civil engineering consulting businesses (“**Original Businesses**”) in Hong Kong, property sub-leasing and management business in the PRC, interior design services and decoration works in both Hong Kong and the PRC and commodity trading business in the PRC.

1. Property sub-leasing and management services business segment

The property sub-leasing and management service business segment is operated by Shenzhen Zhongshengtuotou Assets Management Co., Ltd* (深圳中深國投資產管理有限公司) (“**ZSGT**”), a wholly-owned subsidiary of the Company in the PRC. One of the principal business of ZSGT is sub-leasing office premises to different clientele in three categories below:

(a) Sub-leasing of premises

In view of the growing number of start-up and small-to-medium business to move in the grade-A office premises to enhance its corporation image and gain creditability, there is high demand for small-sized offices in the PRC. The Group considered there are ample business opportunities in such regard.

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 will provide instant support and services to the sub-tenants, 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, renovation and refurbishment services, leveraging the Group's resource of its Interior Design, 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 maintains a steady growth in the recent years, and such growing trend is expected to continue.

As at 31 July 2021, the Group leased 10 large scale properties in the PRC, of which 9 of them are situated at Futian (福田), Nanshan (南山), Baoan (寶安) and Luohu (羅湖) districts of Shenzhen; 1 property is located in Beijing, with total floor area of approximately 33,999 square meters (“sq.m.”) (2020: 32,028 sq.m.) for its operation of sub-leasing to sub-tenants. The occupancy rate of the Group’s sub-leased properties reached over 92% (2020: 92%) as at 31 July 2021.

(b) *Sub-leasing management*

Sub-leasing management refers to the service of the Group that it (i) searches for premises based on customer’s specifications; (ii) enters into head lease with landlord by the Group; and (iii) subleases that premises to the customers.

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 instead be spent 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.

Sub-leasing management is target for enterprises requiring national presence, most of them are asset management companies, insurance companies, finance companies and branches of companies operates across the PRC. The demand and market sizes are expected to continue to rise and expand to include more provinces.

As at 31 July 2021, the Group’s sub-leasing management services cover 4 cities, namely Shenzhen, Beijing, Shanghai, Tianjin and 20 other provinces of the PRC, namely Guangdong, Guangxi, Jiangxi, Hunan, Hubei, Hainan, Hebei, Fujian, Jilin, Shandong, Sichuan, Ningxia, Inner Mongolia, Heilongjiang, Anhui, Henan, Gansu, Shaanxi, Jiangsu and Zhejiang with total floor areas of approximately 67,812 sq.m. (2020: 59,732 sq.m.).

(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 and most of the current customers of the co-work space centre are entrepreneurs and start-up businesses.

The co-work space centre offers:

- (i) rental of office space or dedicated desks;
- (ii) rental of private office room/booth;
- (iii) conference rooms; and
- (iv) auxiliary services (e.g. provision of registered office for business licence registration purpose, front-desk and guest reception, business-class printing, mail and packing handling as well as other secretarial services);

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

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

- (i) the "Comprehensive Deepening of the Reform and Opening-up Plan for Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone" issued by the PRC government. Such plan will further develop Shenzhen-Hong Kong cooperation zone in Qianhai and the total area of the cooperation zone will be expanded from 14.92 sq.km to 120.56 sq.km. It reflects the long-term strategic vision of making Qianhai's business environment world-class by 2035, which has in turn led to increase in the number of start-up and small-to-medium business and the demand for grade-A commercial offices in the PRC; and
- (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.

In 2021, ZSGT leveraged on the existing resources to expand the scale of operation of the property sub-leasing and management service segment. In this segment, ZSGT generated revenue for property sub-leasing and management service of approximately HK\$96.4 million which represented an increase of 13.2% as compared to last year (2020: approximately HK\$85.2 million). During the year, the Group has successfully concluded many new lease contracts and whereas renewed existing old lease contracts while it expired. As majority of the sub-tenants' leases with the Group are for a term of 2–3 years and the total floor area leased by the Group for sub-leasing is increasing, the Group considers that the sub-leasing business will continue to provide stable source of revenue to the Group in the future.

2. Interior design and decoration business segment

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 wide-ranging projects. The Group is responsible for the overall design, purchasing and project management. The in-house design department of the Group is mainly responsible for private offices projects. The 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 Group's interior design and decoration business segment, is operated by wholly-owned subsidiaries of the Company, KSL Engineering Limited (“**KSL**”) and ZSGT in Hong Kong and the PRC respectively. They generated revenue of approximately HK\$57.4 million which represented a decrease of 38.1% as compared to last year (2020: approximately HK\$92.8 million). The market of interior design and decoration business in Hong Kong remains challenging and keen competition amongst the market players persisted. Active contractors bid for tenders at competitive prices. Besides, higher construction costs incurred due to stringent contract requirements and the increase of material and labour costs and result in trimming down profit margins. In both Hong Kong and the PRC, the progress on existing projects were slowed down by the pandemic and certain projects in the PRC were required to be suspended temporarily as requested by contracting customers. It affected the operation and reduced overall revenues of the business segment. The Group expects that such operation will resume soon in near future.

3. Original Businesses segment

The Original Businesses of the Group are operated by KSL, the revenue has decreased by 21.8% from approximately HK\$10.5 million in the year ended 31 July 2020 to approximately HK\$8.2 million in the year ended 31 July 2021. 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.

4. Commodity trading business segment

The Group started its commodity trading business in March 2021, which recorded a revenue of approximately HK\$4.9 million (2020: Nil), with the contributions of Guangzhou Desheng Technology Limited* (廣州市得昇科技有限公司), a wholly-owned subsidiary of the Company established in the PRC. The Group has employed a management team with relevant commodities trading experience for the operation and development of the commodity trading business. In order to operate the commodity trading business with safer funds and better risk control, large-scale enterprises and even state-owned enterprises are preferred as the first-choice upstream supplier whereas the downstream customers will be enterprises with good reputation in the industry. It is expected that commodity trading business will bring economic benefits to the Group, expand the influence of the Group in the market and enhance the shareholders' value and is in the best interests of the Company and its shareholders as a whole.

OUTLOOK

Last year was quite challenging, with the global pandemic triggered lockdowns and collapsed most economic activities. In addition, the continuing frictions between China and the United States constrained trade and thus reduced industrial production, it will inevitably pose a threat to the recovery of the overall market condition. The Central Government has been taking a justified measure to curb COVID-19 and implementing certain accommodative policies to boost domestic consumption, and the China's economy exhibited greater resilience and rebounded in the second half of 2020.

Nevertheless, the promising financial results of the Group for the financial year ended 31 July 2021 strengthened the Group's business insights. The Group has already developed multiple business lines which are complementary to each other and diversify the overall business risk. The property sub-leasing and management services segment remains in steady growth and thus secures a stable source of revenue and improves the overall profitability of the Group. Expansion of the Group's commodity trading business in the PRC allows the Group to maintain its growth momentum and reduce its reliance on a single market.

The Group will maintain its effort to critically assess its existing business portfolio and make the necessary adjustments to streamline its operations. It will focus with care on higher margin and faster growing businesses. In order to sustain growth, the Group will continue to search for new investment opportunities to broaden its business portfolio and enlarges its earnings base so as to bring satisfactory return to the shareholders.

FINANCIAL REVIEW

Revenue and Segment Information

In the year ended 31 July 2021, the Group's total revenue has decreased by 11.4% to approximately HK\$166.9 million (2020: approximately HK\$188.4 million). This change was comprised of:

- (i) decrease in revenue of the Group's interior design and decoration business by 38.1% to approximately HK\$57.4 million (2020: approximately HK\$92.8 million);
- (ii) increase in revenue of the Group's property sub-leasing and management business in the PRC by 13.2% to approximately HK\$96.4 million (2020: approximately HK\$85.2 million); and
- (iii) increase in revenue of the Group's commodity trading business in the PRC to approximately HK\$4.9 million (2020: Nil).

Cost of Services

In line with the decrease in revenue of the Group, cost of services of the Group for the year ended 31 July 2021 decreased to approximately HK\$115.5 million, representing a decrease of 11.1% (2020: approximately HK\$129.9 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 2021, gross profit of the Group has decreased by 12.2% to approximately HK\$51.3 million (2020: approximately HK\$58.5 million) with gross profit margin of 30.8% (2020: 31.0%). The gross profit margin of the Group remains steady.

Other Income and Gains

In the year ended 31 July 2021, the Group's other income and net gains increase by 103.9% to approximately HK\$8.6 million (2020: approximately HK\$4.2 million). The major reason for the change was because of the increase of COVID-19-related rent concessions of approximately HK\$3.1 million and the gain on disposal of subsidiary of approximately HK\$1.3 million.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses decreased by 12.6% to approximately HK\$18.0 million in the financial year ended 31 July 2021 (2020: approximately HK\$20.6 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 2021 (2020: Nil) despite the profitability of its Original Businesses segment and interior design and decoration business segment in Hong Kong in the year ended 31 July 2021.

EIT of approximately HK\$8.6 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 and over-provision of EIT in respect of prior years of approximately HK\$0.6 million, the total income tax expense of the Group for the year ended 31 July 2021 was approximately HK\$7.7 million (2020: approximately HK\$9.2 million).

Profit before Income Tax and Profit for the Year

The Group recorded a profit before income tax of approximately HK\$24.7 million for the year ended 31 July 2021, representing an increase of 18.0%, as compared to a profit before income tax of approximately HK\$21.0 million for the corresponding period in 2020.

The business of the Group recorded a profit after tax of approximately HK\$17.0 million for the year ended 31 July 2021, representing an increase of 44.9%, as compared to a profit after tax of approximately HK\$11.8 million for the year ended 31 July 2020.

The Company recorded a profit attributable to the owners of the Company of approximately HK\$17.1 million for the year ended 31 July 2021 as compared to a profit attributable to the owners of the Company in the amount of approximately HK\$11.7 million for the year ended 31 July 2020.

Final Dividend

The Board did not recommend the payment of a final dividend for the year ended 31 July 2021 (2020: Nil).

Liquidity and Financial Resources

The Group maintained a healthy financial position in the year ended 31 July 2021. As at 31 July 2021, the Group had cash and cash equivalent of approximately HK\$112.8 million (2020: approximately HK\$82.7 million).

The current ratio as at 31 July 2021 was 1.7 (2020: 1.6).

Gearing Ratio

The gearing ratio of the Group as at 31 July 2021 was 11.9% (2020: 13.4%).

The gearing ratio is calculated as total borrowing divided by total equity as at the respective dates.

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 2021. 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 2021, the Group did not have any charges on its assets (2020: 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 2021. 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 2021, the share capital and equity attributable to owners of the Company amounted to approximately HK\$4.1 million and HK\$122.3 million respectively (2020: approximately HK\$4.1 million and HK\$98.6 million respectively).

Capital Commitments

The registered capital of Shenzhen Fuqingyuan Technology Limited (“**Fuqingyuan**”) is RMB5 million. The Group committed as at 31 July 2021 to invest in Fuqingyuan, a wholly-owned subsidiary, amounting to RMB5 million (equivalent to approximately HK\$6.0 million) (2020: RMB5 million (equivalent to approximately HK\$5.5 million)).

Application of the Net Proceeds of the Placing

As at 31 July 2021, 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 2021 are as follows:

Intended uses of the Proceeds	Planned use of the Proceeds HK\$ (approximately)	Actual use of the Proceeds up to 31 July 2021 HK\$ (approximately)	Actual use of the Proceeds for the year ended 31 July 2021 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 2021, 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 property sub-leasing and management services business in the PRC.

Human Resources Management

As at 31 July 2021, the Group had 61 (2020: 53) employees, including the Directors. The Group's total staff costs (including Directors' emoluments) for the year ended 31 July 2021 decreased to approximately HK\$9.6 million (2020: approximately HK\$11.6 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 as at 31 July 2021.

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 2021.

Contingent Liabilities

The Group did not have any other material contingent liabilities as at 31 July 2021 (2020: Nil).

Future Plans for Material Investments or Capital Assets

For the year ended 31 July 2021, save as investment properties that may be recognised in accordance with HKFRS 16 for new leases under the Group's property sub-leasing and management business, the Group did not have other plans for material investments and capital assets.

PROFIT GUARANTEE AND LOAN FROM THE SINGLE LARGEST SHAREHOLDER OF THE COMPANY

On 11 October 2019, the Group received an amount of HK\$30,000,000 regarding a loan from a shareholder, Mr. Lin Ye (“**Mr. Lin**”), who is also an executive Director and the chairman of the Board, which is restricted to be used for the purpose of financing the Company’s potential acquisition of an office premise in Hong Kong and its related expenses, and providing extra assurance for the profit guarantee provided by Mr. Lin in favour of the Company.

After assessment of the internal resources of the Group, the Directors 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 sub-leasing business. As such, on 3 April 2020, the Company repaid HK\$15,000,000 to Mr. Lin. Mr. Lin consented to and the Company released the remaining restricted cash for development of the Group’s sub-leasing business.

As disclosed in the announcement of the Company dated 30 September 2020, the Group’s audited consolidated earnings before interest, taxes, depreciation and amortisation (the “**EBITDA**”) for the year ended 31 July 2020, which amounted to approximately HK\$82.0 million, is more than the profit guarantee made by Mr. Lin in favor of the Company (i.e. the EBITDA of the Group for the year ended 31 July 2020 being not less than HK\$13,800,000) (the “**Profit Guarantee**”). Accordingly, there will not be any compensation made by Mr. Lin to the Company for any shortfall of the Profit Guarantee for the year ended 31 July 2020. Further announcement will be made by the Company in relation to the performance of the Profit Guarantee for the year ended 31 July 2021 as and when appropriate.

DISPOSAL OF A NON-WHOLLY OWNED SUBSIDIARY

On 30 December 2020 (after trading hours of the Stock Exchange), Sky Planner Limited (the “**Vendor**”), being a wholly-owned subsidiary of the Company, entered into the sale and purchase agreement (the “**Agreement**”) with 深圳深南裝飾工程有限公司 (for transliteration purpose only, Shenzhen Shennan Decoration Engineering Co., Ltd.) (the “**Purchaser**”), pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire 51% of the issued share capital of NBE at a total consideration of HK\$510,000. The Purchaser is a company established in the PRC with limited liability and principally engaged in interior and exterior decoration business and engineering contracting services.

The consideration was settled by the Purchaser in cash and in full on the date of execution of the Agreement. It was determined after arm’s length negotiations between the Vendor and the Purchaser with reference to (1) a valuation report issued by an independent professional valuer, which assessed the fair value of 100% equity interest of NBE as at

30 December 2020 to be HK\$894,000, using the market approach; and (2) NBE recorded profit after taxation for the year end 31 July 2019 and 2020 in the amount of approximately HK\$313,000 and HK\$230,000 respectively.

Completion of the Agreement took place immediately after the entering into of the Agreement on 30 December 2020. Upon Completion, the Vendor disposed of all its shareholding interest in NBE and NBE has ceased to be a subsidiary of the Company.

For more details, please refer to the announcement of the Company dated 30 December 2020.

DISCLOSURE OF INTERESTS

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

As at 31 July 2021, 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 (<i>Note</i>)	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 2021, 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:

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 2021, 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:

- Interests in Shares stated above represent long positions.
- 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 2021, 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 2021, 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 2021, 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 2021, 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 officer should be separate and should not be performed by the same individual. During the year ended 31 July 2021, there have been no chief executive officer 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 officer 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 officer. 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 2021.

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 2021.

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 2021 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 2021 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 2021.

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 30 October 2020, 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.

Through various submissions, the Company had demonstrated to the Stock Exchange that it has before 31 October 2020 fulfilled the Resumption Condition. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 17 November 2020. For details, please refer to the announcement of the Company dated 16 November 2020.

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming AGM of the Company will be held on 26 November 2021 (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 23 November 2021 (Tuesday) to 26 November 2021 (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 22 November 2021 (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, 30 September 2021

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