

CHINA ALL NATION INTERNATIONAL HOLDINGS GROUP LIMITED

(formerly known as KSL Holdings Limited)

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8170



ANNUAL REPORT **2018/19**

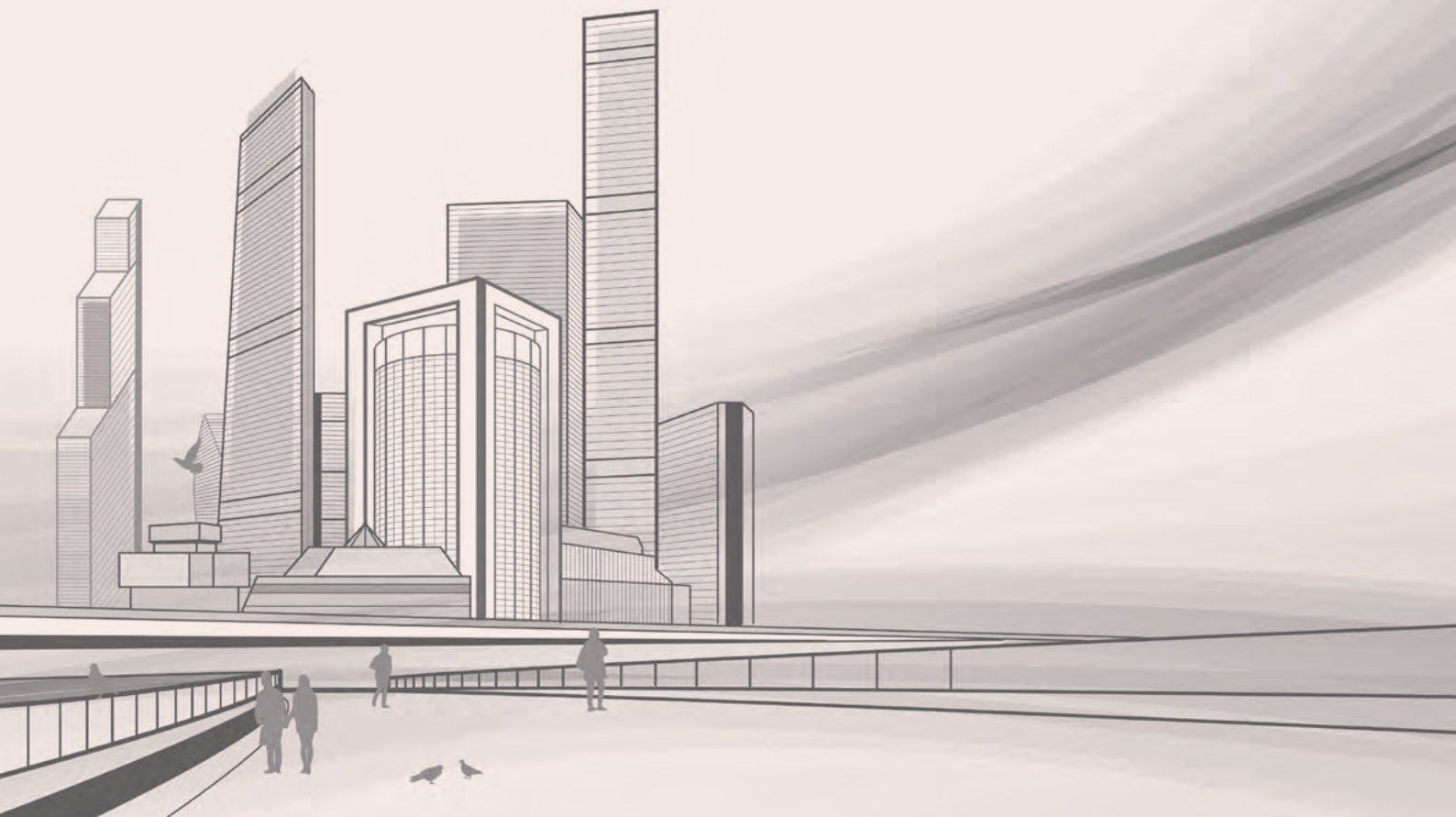
CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized 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 the 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

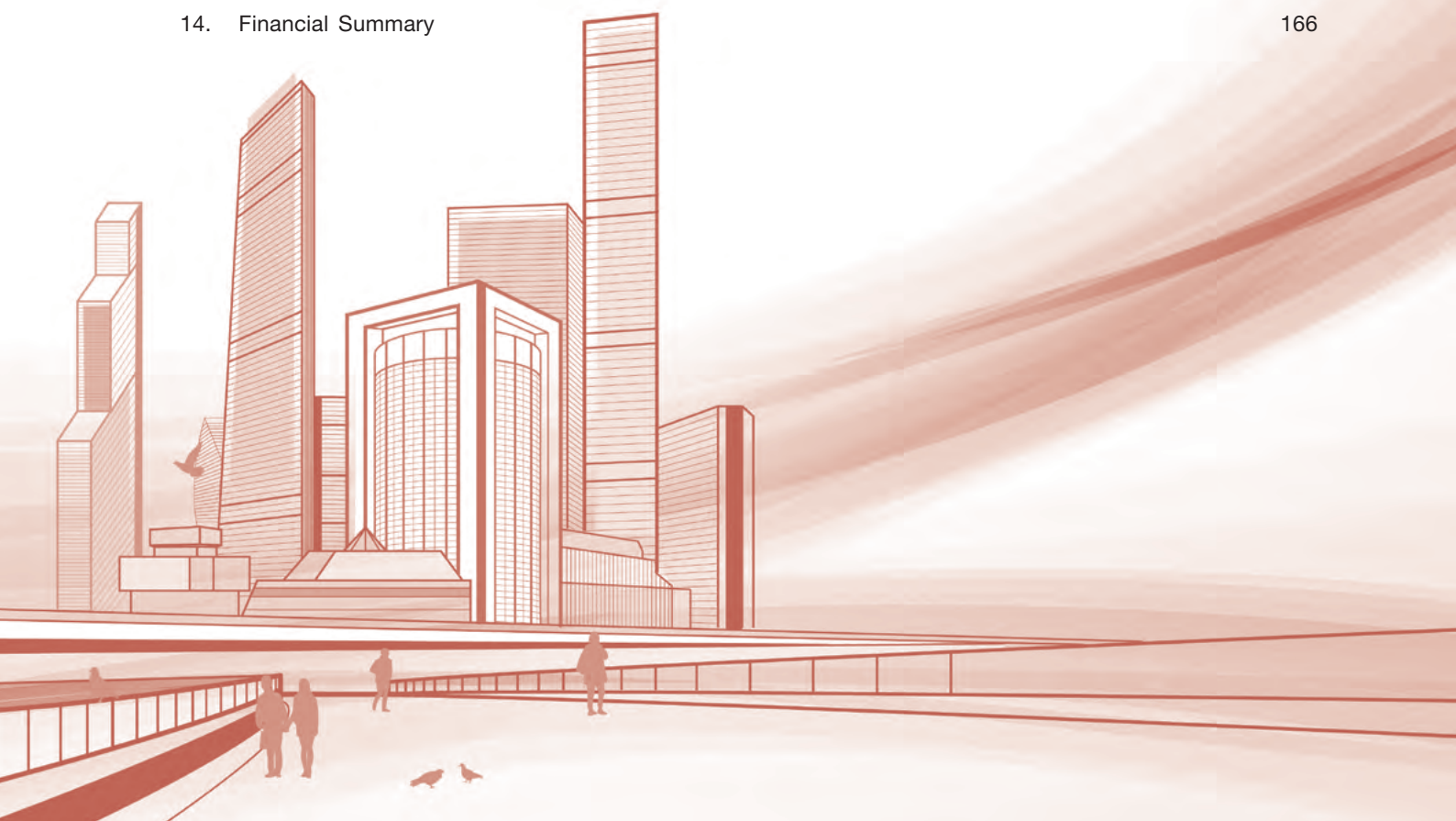
Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part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

This report, 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 report 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 report misleading.



CONTENTS

1. Corporate Information	3
2. Chairman's Statement	5
3. Management Discussion and Analysis	6
4. Biographical Details of Directors and Senior Management	18
5. Environmental, Social and Governance Report	22
6. Corporate Governance Report	43
7. Directors' Report	57
8. Independent Auditor's Report	67
9. Consolidated Statement of Profit or Loss and Other Comprehensive Income	73
10. Consolidated Statement of Financial Position	74
11. Consolidated Statement of Changes in Equity	76
12. Consolidated Statement of Cash Flows	77
13. Notes to the Consolidated Financial Statements	78
14. Financial Summary	166



BOARD OF DIRECTORS

Executive Directors:

Mr. Lin Ye (*Chairman*)
Mr. Au Siu Chung (*Compliance Officer*)
Mr. Long Jie
Mr. Yuan Shuang Shun
Ms. Xiao Yi Liao Ge

Independent Non-executive Directors:

Ms. Kwong Ka Ki
Ms. Guo Liying
Mr. Yu Hua Chang

AUDIT COMMITTEE

Ms. Kwong Ka Ki (*Chairperson*)
Ms. Guo Liying
Mr. Yu Hua Chang

REMUNERATION COMMITTEE

Ms. Guo Liying (*Chairperson*)
Mr. Au Siu Chung
Ms. Kwong Ka Ki

NOMINATION COMMITTEE

Ms. Kwong Ka Ki (*Chairperson*)
Ms. Guo Liying
Mr. Yu Hua Chang

LEGAL COMPLIANCE COMMITTEE

Ms. Guo Liying (*Chairperson*)
Mr. Au Siu Chung
Ms. Kwong Ka Ki

COMPANY SECRETARY

Mr. Cheng Man For

AUTHORISED REPRESENTATIVES

Mr. Au Siu Chung
Mr. Yuan Shuang Shun

INDEPENDENT AUDITOR

Moore Stephens CPA Limited
Certified Public Accountants

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Clifton House
75 Fort Street
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1902, 19/F.
Harbour Centre
No. 25 Harbour Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Estera Trust (Cayman) Limited
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

CORPORATE INFORMATION

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

1 Garden Road

Hong Kong

DBS Bank (Hong Kong) Limited

G/F., The Center, 99 Queen's Road Central

Central, Hong Kong

COMPANY WEBSITE

www.allnationinternational.com

(information of this website does not
form part of this report)

STOCK CODE

08170

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the “**Board**”) of Directors of China All Nation International Holdings Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”), I am pleased to present the annual report of the Group for the year ended 31 July 2019, which contains a solid set of financial figures of the Group proving that the Group is back to the right track with significant improvement in its financial performance.

The Board's decision in February 2019 to continue develop the Group's existing businesses in Hong Kong while at the same time expand to the People's Republic of China (the “**PRC**”) not only allowed the Group to secure a stable source of revenue from its sub-leasing business in the PRC but also successfully diversified the Group's risk in reliance on single market especially in view of Hong Kong's challenging environment in the past few months. The Group and its management team are determined to intensify their effort in the year ending 31 July 2020 and afterward so that the Group can continue to thrive.

Taking this opportunity, I would like to express my 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.

Lin Ye

Chairman and executive Director

Hong Kong, 10 October 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

1. Sub-leasing business segment

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

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

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

(a) *Sub-leasing of premises*

Sub-leasing of premises involves provision of small scale (between 100 m² to 500 m²) sub-divided office premises at grade A commercial buildings with stylish decoration at affordable price embedding co-use/sharing concept. Target customers are entrepreneurs, start-up business and small scale companies. As at 31 July 2019, the Group leased 5 large scale properties at Futian (福田), Nanshan (南山) and Baoan (寶安) districts of Shenzhen with total floor area of approximately 20,046 m². Majority of the partitioned sub-leasing projects are equipped with centralised medium to large scale conference rooms housing 20 to 180 participants, for the co-use of sub-tenants. Sub-tenants have access to all the conference rooms managed by the Group with pre-appointment.

* For identification purpose only

(b) Sub-leasing management

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

As at 31 July 2019, the Group's sub-leasing management services cover three cities, namely Shenzhen, Beijing, Shanghai and 13 other provinces of the PRC, namely Guangdong (廣東), Guangxi (廣西), Jiangxi (江西), Hunan (湖南), Hubei (湖北), Hainan (海南), Hebei (河北), Fujian (福建), Jilin (吉林), Shandong (山東), Sichuan (四川), Ningxia (寧夏) and Inner Mongolia (內蒙古), with total floor areas of approximately 43,899 m².

(c) Co-work space

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

- (i) the PRC government's preferential policy to encourage innovation and start-up businesses in recent years resulting in the setting up of a vast number of small-scale companies and the annual increase in the number of start-up companies which has in turn led to increasing demand for small-sized offices in the PRC;
- (ii) the concept of "co-use/sharing offices" has become more popular and widely accepted in the PRC in recent years as it offers a more flexible and affordable way for entrepreneurs to start-up and grow their businesses; and
- (iii) the co-use of centralised conference rooms which is one of the value-added services offered by the Group is well received by its customers as they can achieve cost-saving by renting smaller office premises which do not equip with conference rooms.

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

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

2. Interior design and decoration business segment

Hong Kong

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

The in-house design department of the Group is mainly responsible for the residential interior design projects. For decoration services of private offices and residential properties, and other small-scaled projects, project managers of the Group ("**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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

The PRC

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

3. Original Businesses

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

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

OUTLOOK

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

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

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

FINANCIAL REVIEW

Revenue and Segment Information

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

- (i) 39.9% increase in revenue of the Group's interior design and decoration business in Hong Kong to approximately HK\$36.8 million (2018: approximately HK\$26.3 million); and
- (ii) expansion of the Group's business to sub-leasing and interior design and decoration businesses in the PRC.

(a) Interior design and decoration

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

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

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

(b) Sub-leasing

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

MANAGEMENT DISCUSSION AND ANALYSIS

(c) Original Businesses

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

Cost of Sales

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

Gross Profit

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

Other Income and Net Gains

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

Administrative and Other Operating Expenses

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

Income Tax Expense

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

Loss before Income Tax and Loss for the Year

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

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

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

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

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

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

The reason for the Group having profit attributable to NCI of approximately HK\$3.4 million in the year ended 31 July 2019 is mainly because the Company disposed of loss-making 51% owned subsidiaries (i.e. Harvest Group) during the year ended 31 July 2019. Prior to the disposal, the Group waived an intercompany current account of approximately HK\$6.1 million. Therefore, that 51% owned subsidiaries recorded a gain of approximately HK\$6.1 million from the waiver, of which approximately HK\$3.0 million was attributable to the 49% minority shareholder as profit attributable to NCI.

MANAGEMENT DISCUSSION AND ANALYSIS

Final Dividend

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

Liquidity and Financial Resources

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

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

Gearing Ratio

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

Treasury Policy

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

Pledge of Assets

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

Foreign Exchange Exposure

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

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Structure

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

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

Capital Commitments

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

Application of the Net Proceeds of the Placing

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Human Resources Management

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

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

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

Significant Investments Held

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

Material Acquisitions, 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 2019, save as follows:

- (i) On 17 September 2018, the Group entered into an agreement with an independent third party for the acquisition of 100% equity interest of ZSGT at a cash consideration of approximately HK\$11,648,000. ZSGT was a company incorporated in the PRC with limited liabilities in the year of 2015. The acquisition of ZSGT was completed on 8 November 2018 and ZSGT has become an indirect wholly-owned subsidiary of the Company since then. The Group settled the consideration of the acquisition from its internal resources;
- (ii) During the year ended 31 July 2019, the Group disposed of its entire equity interest in Harvest Group, a 51% indirectly owned subsidiary, for a consideration of approximately HK\$7,000. Harvest Group is an investment holding company in Hong Kong with eight 100% wholly-owned subsidiaries which principal business is provision of interior design and decoration services in Hong Kong. The disposal of Harvest Group with its eight subsidiaries was completed on 12 October 2018, since then, the Group has no equity interest in and control over Harvest Group. Gain on disposal of subsidiaries of approximately HK\$73,000 was recognised as other income and gains in the consolidated statement of profit or loss and other comprehensive income; and
- (iii) A 60% indirectly owned subsidiary of the Group applied for de-registration in Hong Kong during the year. The de-registration was completed on 4 January 2019, resulting in loss on de-registration of a subsidiary of approximately HK\$12,000 to the Group for the year ended 31 July 2019.

Contingent Liabilities

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. LIN Ye (林燁) (“Mr. Lin”), aged 55, was appointed as the chairman of the Board and an executive Director on 12 October 2018. Mr. Lin has extensive experience in corporate strategic planning, corporate team building and cooperation, resources integration and launching projects. From 2006 to 2015, Mr. Lin served as a general manager of Shenzhen Gutejia Rubber Products Co., Limited* (深圳市固特佳橡膠製品有限公司) in which he was responsible for implementing internal regulations and procedures in relation to human resources management as well as monitoring corporate investment and financing activities. Since 2015, Mr. Lin has served as a general manager of Shenzhen Qianli Junma Supply Chain Technology Co., Limited* (深圳市千里駿馬供應鏈科技有限公司) in which he was responsible for supervising investment projects and implementing investment strategies.

Mr. AU Siu Chung (歐兆聰) (“Mr. Au”), aged 36, was appointed as an executive Director on 23 June 2017. He holds a bachelor of economics degree from the Chinese University of Hong Kong in 2005. From July 2015 to February 2016, he worked as a key account manager at Leadway Production Company Limited. Since February 2016, Mr. Au has been working as an accounting and administration manager at Sky Planner Limited, a subsidiary of the Company.

Mr. Au is a member of each of the remuneration committee and the legal compliance committee, the compliance officer and an authorised representative of the Company.

Mr. LONG Jie (龍杰) (“Mr. Long”), aged 46, was appointed as an executive Director on 16 March 2017. He obtained the bachelor degree of civil engineering from Hebei University of Technology in December 2004. Prior to joining the Group, Mr. Long worked as a manager at the budget department of Shenzhen Vanke Real Estate Co. Ltd.* (深圳萬科地產股份有限公司) from 1995 to 1996. From 1997 to 2009, Mr. Long worked as a director at the investment department of Shenzhen Luofang Properties Co. Ltd.* (深圳羅芳置業有限公司). Since 2009, Mr. Long has been working as the general manager of Shenzhen Hengda Cheng Engineering Co. Ltd.* (深圳恒大成工程有限公司).

Mr. YUAN Shuang Shun (袁雙順) (“Mr. Yuan”), aged 48, was appointed as an executive Director on 1 December 2017. He obtained a master of economics from Guangdong Academy of Social Sciences* (廣東省社會科學院研究生院) in 2002. Prior to joining the Company, Mr. Yuan has been the vice president at Shenzhen Right & Sun Investment Holding Co. Ltd* (深圳瑞華信投資有限責任公司) for more than 20 years. Mr. Yuan has extensive experience in investment, private equity, corporate finance and capital markets.

Mr. Yuan has also been appointed as an authorised representative of the Company with effect from 1 January 2018.

* For identification purpose only

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. XIAO Yi Liao Ge (肖怡廖閣) (“Ms. Xiao”), aged 24, was appointed as an executive Director on 26 January 2018. She obtained a bachelor degree of Art from Hubei Institute of Fine Arts (HIFA) (湖北美術學院) in 2017. Prior to joining the Group, Ms. Xiao worked as an eSports propagandist at Wuhan Blizzard Media Co., Ltd* (武漢暴風雪傳媒有限公司) from November 2015 to March 2016. Ms. Xiao has been appointed as the vice president at Shenzhen Yi Lan Kang Trading Co., Ltd* (深圳市溢藍康貿易有限公司) since 2016 and is responsible for domestic and export trade. Ms. Xiao has extensive experience in domestic and export trade, drawing and designing brand images for outsourcers.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. KWONG Ka Ki (鄺嘉琪) (“Ms. Kwong”), aged 38, holds a bachelor of arts (Hon) degree in accounting and finance from the Leeds Metropolitan University and a Master Degree in Corporate Governance from The Hong Kong Polytechnic University. Ms. Kwong is a member of The Association of Chartered Certified Accountants, practising member of the Hong Kong Institute of Certified Public Accountants, an associate member of The Hong Kong Institute of Chartered Secretaries and an associate member of The Institute of Chartered Secretaries and Administrators. Ms. Kwong has over 16 years of experience in auditing, tax, professional accounting and internal control review of licensed brokers. Ms. Kwong was an independent non-executive director of China Financial Leasing Group Limited (stock code: 2312), the shares of which are listed on the Stock Exchange, from January 2014 to June 2014. Ms. Kwong was also an independent non-executive director of Tonking New Energy Group Holdings Limited (formerly known as JC Group Holdings Limited) (stock code: 8326), the shares of which are listed on the GEM, from August 2014 to February 2015.

Ms. Kwong is the chairperson of the audit committee and the nomination committee, as well as a member of each of the remuneration committee and the legal compliance committee of the Company.

Mr. YU Hua Chang (余華昌) (“Mr. Yu”), aged 45, was appointed as an independent non-executive Director on 26 January 2018. He obtained a bachelor’s degree from Nanchang College* (南昌高等專科學校) in 1995. Mr. Yu is currently a vice general manager at Shenzhen Peng Yuan Fa Labor Sending Ltd.* (深圳市鵬源發勞務派遣有限公司). Mr. Yu worked as a marketing specialist at Wing Fung Logistics Limited* (永豐物流有限公司) from August 1998 to March 2012 and as a general marketing manager at Ping An Property & Casualty Insurance Company of China, Ltd.* (中國平安財產保險股份有限公司) from April 2012 to April 2016. Mr. Yu has extensive experience in corporate communication and promoting corporate images to the public.

Mr. Yu is a member of each of the audit committee and the nomination committee of the Company.

* For identification purpose only

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. GUO Liying (郭麗英) (“Ms. Guo”), aged 39, was appointed as an independent non-executive Director on 21 May 2018. She obtained a bachelor’s degree of International Economics and Trade from Shantou University (汕頭大學) in June 2003. Prior to joining the Group, Ms. Guo has worked in Guangdong Mobile Communications Co. Ltd* (廣東省移動通訊有限公司) and China Security Technology Co., Ltd* (中國安防技術有限公司). Since September 2014, she has been working as the chief executive officer of Shenzhen Qianhai SGT Capital Management Group Co., Ltd* (深圳前海深港通資本管理集團有限公司). Ms. Guo has extensive experience in project investment operation, enterprise management and marketing and sales.

Ms. Guo is the chairperson of each of the remuneration committee and the legal compliance committee, as well as a member of each of the audit committee and the nomination committee of the Company.

SENIOR MANAGEMENT

Mr. So Chi Wai (蘇志偉) (“Mr. So”), aged 60, was appointed as one of the chief operating officers of the Group in February 2019. Mr. So has over 30 years of experience in civil engineering industry and over 20 years of experience in geotechnical engineering field. Mr. So obtained a bachelor of science degree from the University of Hong Kong in August 1981 and a master of science degree from the Imperial College of Science, Technology and Medicine, University of London in the United Kingdom in October 1991 and he holds various professional qualifications in the geotechnical and civil engineering industries. He has been a member of Hong Kong Institution of Engineer (civil division) since 1984 and is currently a registered structural engineer, a registered geotechnical engineer and a registered inspector.

Mr. So is the founder of and has been a director of Philip So & Associates Limited since 1996, which specialises in the provision of detailed design for high-rise building, facade system, steel structure, slopes, bridges, foundation, marine works, interim flood protection measures and other civil projects and technical or geotechnical advice to clients including developers, architects and contractors. Since 2016, he has been an independent non-executive director of Super Strong Holdings Limited (Stock Code: 08262), the shares of which are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Mr. Yeung Wing Yan (楊永寅) (“Mr. Yeung”), aged 45, is currently a director of and an ultimate beneficial owner of 49% issued share capital in NBE, a company incorporated in Hong Kong with limited liability and a 51% indirectly owned subsidiary of the Company. Mr. Yeung has joined the Group for more than three years by serving as a director of NBE since mid-year of 2016 and was appointed as one of the chief operating officers of the Group in June 2019. Mr. Yeung has 10 years of experience in operating interior design and renovation as well as engineering businesses. His interior design works included office buildings, residential buildings and industrial and commercial shops and his works were widely spread throughout Hong Kong and the PRC. Mr. Yeung has been and will be actively participating in various tenders for engineering and other projects from governmental and private sectors. Mr. Yeung is also very active in social welfare matters. At the beginning of 2019, Mr. Yeung became the honorary consultant of the Friends of the Community Chest Sai Kung District Committee and actively led members of the committee to participate in social affairs and public welfares.

* For identification purpose only

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Yue Lei (岳磊) (“Mr. Yue”), aged 35, was appointed as one of the chief operating officers of the Group in June 2019. Mr. Yue obtained a bachelor’s degree in international economics and trading from Heilongjiang Institute of Science and Technology in the PRC in 2007. Prior to his joining of the Group, Mr. Yue was the general manager of the strategic development centre of Shenzhen Pangubang Bangfuhua Technology Company Limited* (深圳市盤古幫幫孵化科技有限公司). He has more than 11 years of experience in real estate industry in the PRC and was primarily responsible for business plan management, real estate (office property, apartment, commercial) projects development, commercial planning, leasing strategy planning and leasing team management.

* *For identification purpose only*

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

China All Nation International Holdings Group Limited (“China All Nation”) and its subsidiaries (hereinafter referred to as the “Group”) are pleased to disclose the management approach, performance and achievements of our key operations in environmental, social and governance (“ESG”) aspects in this ESG Report (“ESG Report”). This ESG Report is prepared in accordance with the “comply or explain” provisions of the ESG Reporting Guide contained in Appendix 20 of the GEM Board Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The purpose of this ESG Report is to communicate the Group’s visions, policies, initiatives, performances and plans relating to material social and environmental issues. All disclosed information is compiled by existing policies or practices, and official documents or reports in an accurate and transparent manner. This ESG Report is endorsed by the Board, who is responsible for formulating strategies and managing ESG matters of the Group and is dedicated to monitoring our sustainability performances through publishing ESG Report on an annual basis.

Reporting Period

Unless otherwise specified, the content of this ESG Report covers the period from 1 August 2018 to 31 July 2019 (the “Reporting Period”).

Reporting Scope

We consider the relative economic, environmental and social significance and materiality in the disclosure of our sustainability performance. Hence, this ESG Report covers the Group’s main offices and project sites in Hong Kong, as well as our subsidiary office, Shenzhen Zhongshengtuotou Assets Management Company Limited (深圳中深國投資產管理有限公司) (“ZSGT”), located in the People’s Republic of China (the “PRC”) (“Reporting Scope”).

The Reporting Scope of this ESG report currently only limits to our own impact within our own financial and operational control. However, as we strive for further transparency, we intend to gradually improve our reporting capabilities and expand the scope of our future ESG Reports.

Feedback Contact

Your feedback on this ESG Report and our sustainability performance is highly valued. Please feel free to share with us your comment(s) by:

Post: Unit 1902, 19/F., Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong

Tel: (852) 3622 2953

Email: feedback@allnationinternational.com

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT CHINA ALL NATION

The Group specialises in the provision of civil engineering consulting, contracting, interior design and decoration works services, as well as financial public relations services in Hong Kong. During the Reporting Period, we expanded our business to the PRC by engaging in property sub-leasing business. As discussed in the Reporting Scope, this ESG Report covers only our performance in civil engineering consulting and contracting in Hong Kong, as well as our property sub-leasing business in the PRC.

Our Businesses in Hong Kong

We continue to develop cost-effective structural and geotechnical engineering designs. In order to provide site supervision services for developers and contractors in private property development and public work projects, we obtain necessary approvals from the relevant government authorities or their appointed consultants in Hong Kong.

In the civil engineering works, we participate as a consultant, contractor, and/or project manager. Our works include foundation design and construction works for building construction projects, excavations and structural designs for the construction of underground facilities, site formation works, as well as landslip prevention works.

Our other segments also include the provision of financial public relations services as well as interior design services and decoration works services, which include but are not limited to geotechnical engineering works.

Our Expansion into the PRC

In order to secure an additional stable revenue source, the Group has completed its acquisition of 100% equity interest in ZSGT, a company established in the PRC with limited liability, on 8 November 2018.

ZSGT principally engages in subleasing of grade A office premises at affordable price embedding co-use/sharing concept. With increasing number of small-scale startup companies, popularising concept of “co-use/sharing offices”, as well as the availability of conference rooms with value-added service, the Group believes the sub-leasing segment possesses a strong growth potential.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUSTAINABILITY AT CHINA ALL NATION

The path to corporate sustainability requires dedication, comprehensive planning, systematic review and audit from the Board, as well as the support from our shareholders, employees, customers, suppliers and subcontractors.

We undertake to operate in a sustainable and responsible manner in terms of supply chain, product liability, occupational health and safety, ethics, labour and community, as well as environmental sustainability. It is our goal to continuously seek opportunities that will further strengthen our customers and revenue base, with consideration of the environmental and social impact.

Our Board acknowledges its overall responsibility to oversee the Group's ESG strategies and is committed to evaluating, determining and managing sustainability risks, as well as uncovering potential opportunities. By observing regulatory requirements and industry practices, it is ensured that such risks are effectively mitigated and managed so that economic, environmental and social value are well-balanced. To integrate sustainable corporate governance into our operational level, the Board will also continuously review our ESG-related policies to ensure environmental and social impact are annually reviewed and minimised.

This ESG Report is structured to follow the three core pillars of sustainability – economy, society and environment. Our strategies and practices that cater to key topics under the three cores of sustainability would help us visualise corporate sustainability.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT

To operate sustainably requires the collective effort and support from all our stakeholders. Their interests, expectations and concerns intertwine with our performance. Thus, it is our goal to create a sustainable environment that favours both corporate growth and the wellbeing of our stakeholders.

During the Reporting Period, our stakeholder groups consist of shareholders and investors, employees, customers, suppliers and subcontractors, as well as community groups. In establishing positive and stable relationships, various communication channels have been employed to maintain open and ongoing dialogue with our stakeholders. Through engaging our stakeholders, we strive to identify, evaluate and manage ESG-related risks, and at the same time ensure that an effective internal control system is in place to handle risks when discovered.

Stakeholder Groups	Engagement Channels
<ul style="list-style-type: none">• Shareholders and investors• Employees• Customers• Suppliers and subcontractors• Community groups	<ul style="list-style-type: none">• Business meetings• Correspondences• Performance appraisal meetings• Personal contacts• Procurement tender meetings• Site visits• Company websites• Annual and interim reports• Press releases• Announcements

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OUR OPERATION

Operating in the civil engineering and construction industry, sustainability is required to provide a balance between the social and environmental impacts of the engaged projects. As a contractor, we are committed to mobilising resources effectively in driving optimal project outcome while minimising the cost of the society and environment at large. We place importance on selecting suppliers, ensuring project quality, and exemplifying the highest standards of business integrity.

Supply Chain Management

The quality of our project work is highly dependent on the execution by our subcontractors. To ensure the development of a sustainable project outcome, we improve our management process and work closely with our business partners in the supply chain. We are guided by our internal evaluation, selection & control of subcontractors in managing the supply chain, in which we require our subcontractors to be fully aware of their obligations.

In managing the supply chain, three steps are being meticulously followed:

1. Evaluation	<ul style="list-style-type: none">All subcontractors are subject to Subcontractor Safety Assessment conducted by the Project ManagerSpecific safety rules related to the sub-contract work are distributed to the qualified subcontractors
2. Selection	<ul style="list-style-type: none">Safety Performance Evaluation is conducted by the Project Manager on a regular basis to ensure consistent performance of subcontractors
3. Control	<ul style="list-style-type: none">A Subcontract Meeting is held with subcontractors prior to their work commencementThe Project Manager will explain the safety policy, including rules and regulations and emergency plan

Our Standard Conditions for Appointment of Subcontractors outlines the guidelines to be followed by our approved subcontractors. We require our subcontractors to exercise their diligence in managing the site, ensuring safe construction practice on site, complying with the Laws of Hong Kong in respect of construction safety and environmental protection issues.

To ensure effective project implementation, we strive to maintain good relationships and communication amongst members of the project team across different disciplines. During the Reporting Period, various meetings are held with our subcontractors to coordinate on work quality, as well as material environmental and health and safety matters.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Product Quality Assurance

Delivering services in a professional and responsible manner while satisfying requirements of safety, quality, purpose fitness, value for money and material efficiency remains the Group's focus. We have implemented a quality assurance system according to the ISO 9001:2008 requirements in the course of construction project implementation.

Our subcontractors are expected to observe and comply with the procedures and requirements of our internal quality assurance management system, including but not limited to:

- Facilitating quality audits on the subcontract works, materials, and associated workshops;
- Submitting certificate of origin and test report of the materials and products to be used in the subcontract works;
- Providing material delivery note to ensure the sources of origin and usage;
- Submitting construction reports for timely checking, record and filing; and
- Attending site meetings with regards to quality issues.

We also require strict abidance from our subcontractors in taking control measures and properly maintaining all documents and information, including drawings and written instructions. All measurement equipment must be registered prior to use, regularly checked as well as calibrated. Any substandard works carried out by the existing subcontractor shall be subject to reassessment and potential contract cancellation, as well as reappointment of new subcontractor.

We respect the intellectual property rights in the provision of interior design and decoration services. The creations of the mind, including copyrights, patents, trademarks, and trade secrets are highly preserved within our operation. Our design team collaborates closely with customers in tailor-making original designs according to their specifications and indication of interests. At least three designs are prepared and presented to our clients, subject to their comments and further amendments.

During the Reporting Period, the Group did not receive any noncompliance cases in respect of product responsibility, including product health and safety, as well as intellectual property.

Business Conduct

In realising corporate growth and forging trustworthy relationships with our business partners, we are committed to operating with integrity and ethics. In our operations, we adhere to applicable laws and regulations in relation to corruption, bribery, extortion, fraud, or money laundering in Hong Kong and the PRC, including the Prevention of Bribery Ordinance (Cap.210) and the Law of the People's Republic of China on Anti-money Laundering (中華人民共和國反洗錢法).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Our abridged version of business conduct in our Staff Handbook has outlined the ethical standards and values that we uphold in our businesses. The policy details the duties, responsibilities and obligations expected from our staff, as well as misconduct behaviours that require awareness, including acceptance of gifts/loan/bribery, conflicts of interest, anti-competitiveness practices, reliability of financial reporting, treatment of employees and insider information trading.

In compliance with the Personal Data (Privacy) Ordinance (Cap. 486), all confidential information is to be handled and processed with due care where unauthorised disclosure of such information may lead to subsequent disciplinary or legal action.

Our internal whistle-blowing policy is established with the intention to provide a transparent and confidential process for our staff in raising concerns about possible improprieties and malpractices without fear of reprisals. Allegations or concerns shall be reported to the Compliance Officer and tabled as necessary to the Audit Committee. Upon investigation, the committee shall then report to the Board on findings that require their attention and approval.

During the Reporting Period, the Group did not receive any non-compliance cases in relation to corruption, bribery, extortion, fraud, or money laundering, and we shall continue to closely monitor all activities.

OUR PEOPLE AND COMMUNITY

At China All Nation, we aspire to build a supportive work environment for the people who form the core to sustainable growth of our businesses. We desire to retain talents by providing attractive employment incentives, construct a healthy and safe workplace that is free from discrimination and harassment, as well as assist our staff to seize career development by offering various training opportunities. We also strive to uphold labour standards as well as to maintain close ties with the surrounding community where we operate in.

Employment

Hong Kong

The Group is dedicated to ruling out discrimination in all aspects of employment, including recruitment and promotion. We comply with the Employment Ordinance (Cap. 57) and ensure all employees and candidates are entitled to equal opportunities, regardless of nationality, race, gender, sexual orientation, age, marital status and religious beliefs. In protecting the rights and benefits of our staff, we adhere to the Minimum Wage Ordinance (Cap. 608) and the Mandatory Provident Fund Schemes Ordinance (Cap. 485).

As set out in the Staff Handbook, all employees are entitled to compensation and remuneration, including basic salary, performance-related discretionary bonus, retirement benefits and overtime allowance. They are also advised to reference the Staff Handbook regarding their entitlement to rest periods and leave, such as statutory holidays, annual leave, sick leave, and maternity leave.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Our annual staff performance review provides staff the opportunity to have an open discussion with their senior manager with regards to their performance and career development. The review is set to measure their performance throughout the previous year, where area for improvement are advised by their supervisors.

The PRC

In the operation of our interior design and decoration and sub-leasing business in the PRC, we comply with the:

- the Employment Promotion Law of the People's Republic of China (中華人民共和國就業促進法);
- the Labour Law of the People's Republic of China (中華人民共和國勞動法);
- The Labour Contract Law of the People's Republic of China (中華人民共和國勞動合同法); and
- the Regulation on Public Holidays for National Annual Festivals and Memorial Days (全國年節及紀念日放假辦法).

We practice similar approaches as Hong Kong operations in the course of employment. ZSGT Staff Handbook details the guiding principles with regards to recruitment and dismissal, compensation and remuneration, as well as leave entitlement, including statutory holidays, annual leave, sick leave, marriage leave, prenatal leave, maternity leave and paternity leave. Performance appraisals are also conducted on an annual basis by the Human Resources Department.

During the Reporting Period, the Group did not receive any non-compliance cases nor complaints related to employment, including compensation and equal opportunities.

Workplace Health and Safety

Hong Kong

By complying with the Occupational Safety and Health Ordinance (Cap. 509), we are committed to constructing a hazard-free work environment by monitoring and addressing potential health and safety risks. We rely on our staff to report to senior management on any health and safety hazards they are exposed to, or any injuries and illnesses they experience.

Fire precaution measures are documented on our Staff Handbook. We require our staff to be familiarised with the instructions within the use of fire extinguishers, fire escape routes at respective offices, as well as the actions to be taken in the unlikely event of a fire. During the Reporting Period, the Group did not record any major workplace injury nor fire incident.

As a contractor, we are concerned with the wellbeing of our subcontractors' staff at project sites. Subcontractors are expected to follow the guidelines in our internal Safety Rules, and submit safety plan, method statements, risk assessments and other safety related documents prior to work commencement. In order to ensure all

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

engaging site workers are well-equipped with technical knowledge and skills, they are obliged to hold valid Construction Industry Mandatory Basic Safety Training Certificate accredited by the Labour Department upon entering the construction site area.

The Safety Rules also outline the subcontractors' responsibilities in protecting the health and safety of their staff. They are compelled to be equipped as to furnish their staff with all the necessary equipment in performing duties onsite, including but not limited to approved safety helmet with chin strap, safety footwear and reflective vest. Personal protective equipment such as safety belts together with fall arrestor and independent lifelines, goggles, gloves, masks, breathing apparatus and ear plugs shall also be distributed to all onsite staff.

All tools, plants, equipment, materials and dangerous or chemical substances must comply with relevant health and safety requirements. They should be properly and safely stored and be posted with a warning notice or label. There should be sufficient installation of fire extinguishers at site area and they should be kept ventilated at all times.

To enhance communication and coordination, related health and safety issues will be discussed with our subcontractors in the Site Safety Committee Meeting. Safety Warning Notice will be issued to the subcontractors to ensure their compliance with safety and health requirements on site. We carry out regular site inspection and enforce a score-deduction system in assessing the safety performance of our subcontractors. Any negligence or violation of safety rules may lead to suspension of tendering qualification or early contract termination.

The PRC

In the office operation that supports our interior design and decoration and sub-leasing business in the PRC, we adhere to the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases (中華人民共和國職業病防治法) and the Law of the People's Republic of China on Prevention and Treatment of Infectious Diseases (中華人民共和國傳染病防治法).

Our ZSGT Staff Handbook outlines the importance to maintain workplace health and safety. In consideration of our staff wellbeing as well as to minimise the unlikely event of an accident, outbreak of infectious disease or a fire, our staff are all obliged to ensure hygiene maintenance and are prohibited to smoke indoors. During the Reporting Period, we did not receive any noncompliance cases or incidents in relation to health and safety.

Training and Development

Hong Kong

It is essential for the Group's development as a contractor, that our staff and engineers are well-trained in engaging with other colleagues from other technical background, as well as equipped with skills and expertise to perform duties at construction site area.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Apart from possessing the Construction Industry Mandatory Basic Safety Training Certificate issued by the Labour Department, all the subcontractor staff are required to attend induction sessions on the background safety information arranged by our officers before commencing work on construction site.

In order to encourage self-improvement and improve efficiency at work, the Group launched the Training Sponsorship Programme. It supports and subsidises our back office staff (including managerial, technical staff and engineers) and construction site staff (including project managers, general foremen and engineers) in taking external training programmes.

The PRC

To promote corporate culture, cohesion, efficiency, as well as productivity, all new recruits are required to attend induction programmes arranged by the Human Resources Department. They are briefed on the background history of the Group and ZSGT, as well as respective policies to be aware of.

Subject to the results of the annual performance review, existing staff are advised by senior managers to take on additional skills workshops or programmes to better their work performance. We also offer existing staff with training opportunities and subsidises all the training costs.

Labour Standards

Hong Kong

We uphold basic human rights as a means to achieve sustainable development. We are committed to avoiding child or forced labour by operating under the Employment of Children Regulations (Cap. 57B) and the Employment of Young Persons (Industry) Regulations (Cap. 57C). Identity and background checks are conducted prior to hiring of all personnel within the Group.

To maintain labour standards in the supply chain, the Group has issued the Measure Taken Out Against Illegal Immigrants on Site. Without valid working permits issued by the contractor, or identity cards or relevant documents issued by the Hong Kong Government, workers are banned to work on site. Our security guards onsite shall examine identity cards or working permits at the entrance to ensure their working eligibility. Patrol squads are also assigned to spot-check workers' identifications.

The PRC

ZSGT adheres to the Labour Law of the People's Republic of China (中華人民共和國勞動法) and the Law of the People's Republic of China on the Protection of Minors (中華人民共和國未成年人保護法) by strictly prohibiting the hiring of workers below 16 years old.

During the Reporting period, the Group was not aware of any non-compliance cases of relevant laws and regulations in relation to labour standards, including the use of child, forced and illegal labour within its operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Community

Hong Kong

As a contractor, the decision we make on the design and execution at construction site area will directly impact the surrounding neighbourhoods. We take into consideration and incorporate community and environmental values in our design works in order to minimise environmental impacts and attain sustainable development for our society. For further information on our effort in environmental protection, please refer to the “Our Environment” section.

The PRC

ZSGT pays importance on improving the wellbeing of staff, as well as our relationship with the community we operate in. Our Employee Relationship Management (員工關係管理) policy denotes a rewards and punishment scheme, encouraging socially responsible and helpful behaviours while penalising misconduct, including but not limited to irresponsible dumping acts and indoor smoking.

To enhance cohesion among staff at ZSGT, we organised the Home Party (轟趴一日) during the Reporting Period. All personnel, including executive directors, managers and general staff were invited to the half-day party where they engaged in various team-building activities.

OUR ENVIRONMENT

The Group respects the environment and appreciates the available natural resources that allow our business to thrive healthily. We are also concerned with the need to collaborate with different stakeholders and seek solutions to minimise environmental impacts arise from our operations.

At China All Nation, developing sustainably is highly relevant to electricity and water consumption that support the operations at our offices, petroleum usage as a form of transportation energy, as well as generation of domestic waste. The Group does not engage in manufacturing process; hence our operations do not impose a significant impact on the environment regarding material consumption.

As a contractor, we are committed to ensuring the construction works are in compliance with environmental statutory requirements, as well as considering the implementation of practical construction methods that will minimize adverse impact on the environment. We operate under an environmental management system in accordance with the ISO 14001:2004 requirements.

To ensure our execution and operations are in line with the environmental management system, we follow the ISO 9001:2008 requirements and regulate our subcontractors by implementing the Subcontractors’s Responsibilities on Environmental Issues. Our subcontractors are obliged to reference the requirements when they perform subcontract works and adhere to all relevant laws and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As a contractor, we are committed to promoting environmental awareness by educating our subcontractors and closely supervising the implementation of construction works. During induction programmes, our new recruits are trained to understand the environmental impacts related to engineering and construction activities and contribute to reducing environmental issues by developing and adopting more environmentally friendly designs and construction techniques.

The followed evaluations of emissions, waste and resources management are subject to emissions or resources that the Group has direct impact upon, usually through operational control or financial control. As ZSGT was newly established, there are limited environmental policies regarding its office operation. Nevertheless, we are committed to disclosing all available environmental data in a transparent and accurate manner.

Emissions

Air Emissions

We rely on monitoring our subcontractors to implement environmental protection measures at construction site areas. We comply with the Air Pollution Control Ordinance (Cap. 311) and implemented the Environmental Operational Control – Air. The policy details procedures required prior to commencement of construction works, including acquiring license and permit, whenever applicable. It also details a series of air pollution control measures to be closely followed by our subcontractors, including but not limited to the adoption of dust screens, sheeting or netting, watering, the use of tarpaulin, restriction of speed limit, as well as proper usage and maintenance of mechanical equipment.

As the construction works are carried out by our subcontractors, the Group is not directly involved in any construction or production processes. Hence, our operations do not generate significant air pollutants. During the Reporting Period, our GHG emissions mainly comprise of direct emissions from fuel combustion of vehicle use and indirect emissions induced by electricity consumption.

The quantification methodology is based on the emission factor, referenced in the Guidelines to Account and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purpose) in Hong Kong, the Emission Factor Baseline on Regional Grid in China (2015) (2015中國區域電網基準線排放因子) as well as the latest emission factors, published by relevant power companies when available.

Scope	Unit	Hong Kong	The PRC
Scope 1: Direct Emissions	Tonnes CO ₂ -e	1.269	0.000
Scope 2: Energy Indirect Emissions	Tonnes CO ₂ -e	21.137	84.506
Total GHG Emissions	Tonnes CO ₂ -e	22.406	84.506

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Noise Emission

To minimise noise nuisance, we operate under our Environmental Operational Control – Noise, in accordance with the Noise Control Ordinance. (Cap. 400). Subcontractors are required to acquire noise permit in order to carry out construction work, including percussive piling, the use of air compressor as well as handheld percussive breaker.

Some of the noise control measures are listed below:

- Construction activities shall be scheduled within 0700–1900 on weekdays;
- Quiet powered mechanical equipment and plant shall be used and regularly maintained whenever possible;
- Noise barriers or enclosures shall be installed whenever possible; and
- Noisy equipment and activities shall be sited at a distance away from noise sensitive receivers, such as domestic premises, hotel, hospital, educational institution, court of law, performing art centre, as well as office building.

Waste Management

Construction outcomes that show durability consist of elements that are free of maintenance and have longevity. In order to achieve this, we are committed to minimising waste generated from construction works as well as office operations.

Solid Waste

Non-hazardous waste generated from our office mostly constitutes of paper and other domestic waste. We adhere to the Waste Disposal Ordinance (Cap. 354) in the responsible disposal of waste, as well as taking up initiatives in recycling. To minimise office waste, employees are encouraged to use electronic systems instead of paper for communications. We also encourage the use of double-sided printing, as well as the reuse and sharing concept of stationery and office furniture.

At construction site areas, our subcontractors are required to follow the Environmental Operational Control – Waste Management in the proper handling of non-construction waste and construction waste.

For non-construction waste:

- All work areas shall be regularly cleaned to remove general litter and refuse;
- General refuse and litter shall be stored in enclosed bins or compaction units separate from construction or chemical waste;
- Waste collector shall be hired to collect general waste and litter from site for proper disposal;
- Burning of refuse at any construction areas is not allowed; and
- Separately labelled bins shall be provided to allow segregation of recyclable material.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For construction waste:

- Different types shall be segregated, separately stored, transported and disposed;
- Separate containers for inert and non-inert wastes shall be provided;
- Inert waste and non-inert waste shall be used on site before disposed off at public filling area;
- Non-inert waste shall be sorted for re-use or recycling before disposal at strategic landfills;
- Waste collection shall be regularly done or as required by licensed collector;
- All vehicles carrying waste shall be properly covered to avoid pollution.

Wastewater

With respect to wastewater pollution control at construction site areas, we implemented the Environmental Operational Control – Wastewater in accordance with the Water Pollution Control Ordinance (Cap. 358). Our subcontractors are required to obtain and regularly renew the effluent discharge license during the construction period.

Some of the control measures, are for example:

- Wastewater discharge points shall be identified before commencement of work;
- Suitable site drainage facilities, including temporary ditches, draining pipes, culverts, channels, earth bunds and sandbag barriers, shall be provided;
- Cleaning and removing the settled sediments in the site drainage system shall be performed regularly;
- Stockpiles of dusty materials shall be covered to prevent release of the materials during rainy seasons;
- Wheel washing facility shall be provided at every site exit to prevent direct discharge of wastewater to storm drains;
- Sand and silt in wash-water shall be settled out or removed before being discharged; and
- Sewage from toilets and similar facilities shall be discharged into a foul sewer if connection to foul sewer can be made, otherwise, chemical toilets shall be provided.

Resources Management

The Group has implemented the Environmental Operational Control – Office Management and outlined procedures that aim to conserve scarce resources. We require our Administrative Department to strictly enforce the following rules:

Air Pollution Control	<ul style="list-style-type: none">• Regular company vehicle maintenance and inspection shall be enforced• Ozone-depleting substances shall be prohibited from use in air-conditioners and fire extinguishers
Water Pollution Control	<ul style="list-style-type: none">• Domestic sewage shall be properly discharged into public sewer
Resources Management	<ul style="list-style-type: none">• Provide separately labelled bins to allow segregation of recyclable materials• Reuse waste materials and return to suppliers for recycle

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Energy is mainly used in the form of electricity for air conditioning, lighting and electronics, fuel for vehicles, and water for domestic purposes. Our staff are instructed to use and properly handle office stationery to avoid waste. Air conditioners are set at a constant 25.5°C. Unused lighting, equipment, machines and air-conditioners shall be switched off. We adjust the water flow rate to minimum and reuse wastewater for general cleaning whenever practicable. Energy and water saving reminders are also posted at noticeable power and water supply points.

Energy Use	Unit	Hong Kong	The PRC
Electricity	kWh	37,376.148	94,325.000
Petroleum	Litres	477.121	0.000
Water	m ³	72.103	33.133

ESG PERFORMANCE TABLE

Key Performance Indicators	Unit	Hong Kong	The PRC
Environmental			
GHG Emission – Scope 1	tCO ₂ e-	1.269	0.000
GHG Emission – Scope 2	tCO ₂ e-	21.137	84.506
GHG Emissions (Scope 1 & 2)	tCO ₂ e-	22.406	84.506
GHG Emission Intensity by Full-time Employee (FTE)	tCO ₂ e-/Person	1.245	3.250
Electricity Usage	kWh	37,376.148	94,325.000
Petroleum Usage	Litres	477.121	0.000
Energy Usage	MJ	150,575.854	339,570.000
Energy Usage Intensity by FTE	MJ/Person	8,365.325	13,060.385
Water Usage	m ³	72.103	32.000
Water Usage Intensity by FTE	m ³ /Person	4.006	1.231
Social			
Total Workforce	Person	18	26

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

HKEX ESG GUIDE CONTENT TABLE

Aspects, General Disclosures and KPIs	Description	Relevant Chapter, Reference Page(s) or Explanation
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Our Environment – Emissions, Waste Management and ESG Performance Table
KPI A1.1	The types of emissions and respective emissions data.	Our Environment – Emissions and ESG Performance Table
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Our Environment – Emissions and ESG Performance Table
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Our Environment – Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Our Environment – Waste Management
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Our Environment – Emissions and Waste Management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Our Environment – Waste Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Chapter, Reference Page(s) or Explanation
A. Environmental		
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Our Environment – Resources Management
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Our Environment – Resources Management and ESG Performance Table
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Our Environment – Resources Management and ESG Performance Table
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Our Environment – Resources Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Our Environment – Resources Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Our Environment – Resources Management
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Our Environment – Resources Management
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Our Environment – Resources Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Chapter, Reference Page(s) or Explanation
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Our People and Community – Employment
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Our People and Community – Employment and ESG Performance Table
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Our People and Community – Employment and ESG Performance Table
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Our People and Community – Workplace Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	N/A
KPI B2.2	Lost days due to work injury.	N/A
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Our People and Community – Workplace Health and Safety

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Chapter, Reference Page(s) or Explanation
B. Social		
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Our People and Community – Training and Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Our People and Community – Training and Development
KPI B3.2	The average training hours completed per employee by gender and employee category	Our People and Community – Training and Development
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Our People and Community – Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Our People and Community – Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Our People and Community – Labour Standards
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Our Operation – Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Our Operation – Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Our Operation – Supply Chain Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Chapter, Reference Page(s) or Explanation
B. Social		
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Our Operation – Product Quality Assurance and Business Conduct
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Our Operation – Product Quality Assurance
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Our Operation – Product Quality Assurance and Business Conduct
KPI B6.4	Description of quality assurance process and recall procedures.	Our Operation – Product Quality Assurance
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Our Operation – Product Quality Assurance and Business Conduct
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Our Operation – Business Conduct
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Nil
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Our Operation – Business Conduct

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Chapter, Reference Page(s) or Explanation
B. Social		
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Our People and Community – Community
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Our People and Community – Community
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	N/A

CORPORATE GOVERNANCE REPORT

Pursuant to Rule 18.44 of the GEM Listing Rules, the Board is pleased to present hereby the corporate governance report of the Company for the year ended 31 July 2019.

The Directors and the management of the Group recognise the importance of a sound corporate governance to the long-term success and continuing development of the Group. Therefore, the Board is committed to upholding good corporate standards and procedures, so as to improve the accountability system and transparency of the Group, protect the interests and create value for shareholders.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "Code") in Appendix 15 of the GEM Listing Rules. During the year ended 31 July 2019, save as disclosed in this annual report, the Company had complied with the applicable code provisions of the Code as set out in Appendix 15 to the GEM Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The key responsibilities of the Board include formulation of the Group's overall strategies, the setting of management targets and supervision of management performance. The management is delegated with the authority and responsibility by the Board for the management and administration of the Group. In addition, the Board has also delegated various responsibilities to the board committees of the Company (the "Board Committees"). Further details of the Board Committees are set out in this annual report. Under the terms of reference, the duties of the Board in respect of corporate governance are as follows:

1. to develop and review the policies and practices on corporate governance of the Group and make recommendations;
2. to review and monitor the training and continuous professional development of Directors and senior management;
3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and
5. to review the Company's compliance with the Code and disclosure in the corporate governance report of the Company.

Composition of the Board

Up to the date of this annual report, the Board comprises eight Directors, including five executive Directors and three independent non-executive Directors ("INED"). In particular, the composition of the Board during the year ended 31 July 2019 and as at the date of the annual report is set out as follow:

Executive Directors

Mr. Lin Ye (*Chairman*) (*Appointed on 12 October 2018*)

Mr. Au Siu Chung (*Compliance Officer*)

Mr. Long Jie

Mr. Yuan Shuang Shun

Ms. Xiao Yi Liao Ge

Ms. Tong Jiang Xia (*Resigned on 2 October 2018*)

Independent Non-executive Directors

Ms. Kwong Ka Ki

Mr. Yu Hua Chang

Ms. Guo Liying

CORPORATE GOVERNANCE REPORT

In compliance with rules 5.05(1) and 5.05A of the GEM Listing Rules, the Board consisted of three INEDs during the year ended 31 July 2019. During the year ended 31 July 2019 and as of the date of this annual report, the number of INEDs represents more than one-third of the Board. As such, there is a strong independent element in the Board to provide independent judgement.

The Company has entered into a service agreement with each of the INEDs for a term of one to two years, which may be terminated earlier by no less than three months written notice served by either party on the other.

Pursuant to Article 108 of the articles of association of the Company (the “Articles”), one-third of the Directors shall retire from office by rotation at each annual general meeting and every Director shall be subject to retirement by rotation at least once every three years. However, a retiring Director shall be eligible for re-election.

Specific enquiry has been made by the Company to each of the INEDs to confirm their independence pursuant to rule 5.09 of the GEM Listing Rules. In this connection, the Company has received the positive annual confirmations from all of the three INEDs. Based on the confirmations received, the Company considers all INEDs to be independent under the GEM Listing Rules.

Saved as disclosed in the section “Biographical Details of Directors and Senior Management” in this annual report, there is no financial, business, family or other material or relevant relationship among members of the Board and senior management.

Board and General Meetings

During the year ended 31 July 2019, 14 board meetings and 2 general meetings were held.

The attendance of the respective Directors at the meetings in the year ended 31 July 2019 are set out below:

	Meetings Attended/Held	
	Board meeting	General meeting
Executive Directors		
Mr. Lin Ye (<i>Chairman</i>) (<i>Appointed on 12 October 2018</i>)	12/12	1/2
Mr. Au Siu Chung (<i>Compliance Officer</i>)	13/14	2/2
Mr. Long Jie	10/14	0/2
Mr. Yuan Shuang Shun	14/14	2/2
Ms. Xiao Yi Liao Ge	14/14	2/2
Ms. Tong Jiang Xia (<i>Resigned on 2 October 2018</i>)	0/2	0/0
Independent Non-executive Directors		
Ms. Kwong Ka Ki	13/14	2/2
Ms. Guo Liying	14/14	2/2
Mr. Yu Hua Chang	14/14	2/2

CORPORATE GOVERNANCE REPORT

RELATIONSHIPS AMONG MEMBERS OF THE BOARD

There was no financial, business, family or other material relationship among the Directors. The biographical details of each of the Directors are set out in the section headed “Biographical Details of Directors and Senior Management” of this annual report.

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 2019.

DIRECTORS’ CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

The Group acknowledges the importance of adequate and ample continuing professional development for the Directors for a sound and effective internal control system and corporate governance. In this regard, the Group has always encouraged our Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance.

During the year ended 31 July 2019, the Company has complied with code provision A.6.5 of the Code that all Directors have attended seminars on the updates of the GEM Listing Rules concerning good corporate governance practices or read newspapers, journals and updates relating to the economy, general business and corporate governance. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they keep abreast with the current requirements under the GEM Listing Rules.

BOARD COMMITTEES

The Board has established a number of functional committees in compliance with the relevant GEM Listing Rules and to assist the Board to discharge its duties. Currently, four committees have been established. An audit committee (the “Audit Committee”) has been established on 19 November 2014 with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and code provisions C3.3 and C3.7 of the Code; a remuneration committee (the “Remuneration Committee”) has been established on 19 November 2014 with its terms of reference in compliance with code provision B1.2 of the Code; and a nomination committee (the “Nomination Committee”) has been established on 19 November 2014 with terms of reference a compliance with paragraph A5.2 of the Code. The functions and responsibilities of these committees have been set out in the relevant terms of reference which are of no less stringent than that stated in the Code. The relevant terms of reference of each of the three committees can be found on the Group’s website (www.allnationinternational.com) and the website of the Stock Exchange. In addition to the abovementioned committees, a legal compliance committee (the “Legal Compliance Committee”) has been established on 19 November 2014. All committees have been provided with sufficient resources and support from the Group to discharge their duties.

AUDIT COMMITTEE

As at the date of this report, the Audit Committee comprises three members, namely Ms. Kwong Ka Ki (Chairperson), Mr. Yu Hua Chang and Ms. Guo Liying, all of whom are INEDs of the Company. The members of the Audit Committee shall comprise non-executive Directors and shall be appointed or removed by the Board. If any member of the Audit Committee ceases to be a Director, he/she will cease to be a member of the Audit Committee automatically.

The Audit Committee must comprise a minimum of three members, at least one of whom is an INED with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05 (2) of the GEM Listing Rules. In addition, the majority of the Audit Committee shall be INEDs.

With reference to the terms of reference, the primary responsibilities of the Audit Committee are, among others (for the complete terms of reference please refer to the Group's website www.allnationinternational.com or the website of the Stock Exchange):

1. to make recommendations to the Board on the appointment, re-appointment and removal of the Company's external auditors, and approve the remuneration and terms of engagement of the Company's external auditors;
2. to review and monitor the Company's external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
3. to develop and implement policy on engaging the Company's external auditors to supply non-audit services, if any;
4. to monitor integrity of the Company's financial statements and annual report and accounts, half-year report, quarterly report and review significant financial reporting judgements contained in them;
5. to discuss with the Company's external auditors questions and doubts arising in audit of annual accounts;
6. to review the letter of the Company's management from the Company's external auditors and the management's response;
7. to review the statement about the Company's internal control system as included in the Company's annual report prior to submission for the Board's approval;

CORPORATE GOVERNANCE REPORT

8. to review the Company's financial reporting, financial controls, internal control and risk management systems;
9. to discuss the risk management and internal control system with the Company's management to ensure that management has performed its duty to have an effective systems;
10. to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
11. to review the financial and accounting policies and practices of the Group;
12. to review the external auditor's management letter, any material queries raised by the auditor to the management in respect of accounting records, financial accounts or systems of control and management's response;
13. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
14. to report to the Board on that matters pursuant to the terms of reference of the Audit Committee and consider other topics as defined by the Board; and
15. to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

During the year ended 31 July 2019, the Audit Committee had reviewed the Group's unaudited quarterly results for the three months ended 31 October 2018, interim results for the six months ended 31 January 2019, quarterly results for the nine months ended 30 April 2019 and discussed internal controls and financial reporting matters. The Audit Committee had also reviewed audited annual results for the year ended 31 July 2019, this annual report, and confirmed that this annual report complies with the applicable standard, the GEM Listing Rules, and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors.

The Board is of the view that the Audit Committee has properly discharged its duties and responsibilities during the year ended 31 July 2019 and up to the date of this annual report.

CORPORATE GOVERNANCE REPORT

For the year ended 31 July 2019, the Audit Committee had held 5 meetings. The attendance records of the members of the Audit Committee are summarised below:

	Meetings Attended/Held
Ms. Kwong Ka Ki (<i>Chairperson</i>)	5/5
Ms. Guo Liying	5/5
Mr. Yu Hua Chang	5/5

REMUNERATION COMMITTEE

The Remuneration Committee comprises three members, namely Ms. Guo Liying (Chairperson), Mr. Au Siu Chung, and Ms. Kwong Ka Ki. Ms. Guo and Ms. Kwong are INEDs of the Company.

With reference to the terms of reference of the Remuneration Committee, the primary responsibilities of the Remuneration Committee include (for the complete terms of reference please refer to the Group's website www.allnationinternational.com or the website of the Stock Exchange):

1. to consult the chairman of the Board and/or chief executive about their remuneration proposals for other executive Directors;
2. to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
3. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
4. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
5. to make recommendations to the Board on the remuneration of non-executive Directors;
6. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries;
7. to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

CORPORATE GOVERNANCE REPORT

- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- to ensure that no Directors or any of his associates is involved in deciding his own remuneration.

The attendance records of the members of the Remuneration Committee for the year ended 31 July 2019 are summarised below:

	Meetings Attended/Held
Ms. Guo Liying (<i>Chairperson</i>)	2/2
Mr. Au Siu Chung	2/2
Ms. Kwong Ka Ki	2/2

During the year ended 31 July 2019, the Remuneration Committee reviewed and made recommendation on the remuneration package of senior management of the Group. The Board is of the view that the Remuneration Committee has properly discharged its duties and responsibilities during the year ended 31 July 2019 and up to the date of this annual report.

NOMINATION COMMITTEE

The Nomination Committee comprises three members, namely Ms. Kwong Ka Ki (Chairperson), Ms. Guo Liying and Mr. Yu Hua Chang, all of whom are INEDs of the Company.

With reference to the terms of reference the Nomination Committee, the primary responsibilities of the Nomination Committee include (for the complete terms of reference please refer to the Group's website www.allnationinternational.com or the website of the Stock Exchange):

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on proposed changes, if any, to the Board to complement the Company's corporate strategy;
- to review the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy;
- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- to assess the independence of INEDs; and
- to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

CORPORATE GOVERNANCE REPORT

The attendance records of the members of the Nomination Committee for the year ended 31 July 2019 are summarised below:

	Meetings Attended/Held
Ms. Kwong Ka Ki (<i>Chairperson</i>)	2/2
Ms. Guo Liying	2/2
Mr. Yu Hua Chang	2/2

LEGAL COMPLIANCE COMMITTEE

The Legal Compliance Committee comprises three members, namely Ms. Guo Liying (Chairperson), Mr. Au Siu Chung and Ms. Kwong Ka Ki. Ms. Guo and Ms. Kwong are INEDs of the Company.

With reference to the terms of reference of the Legal Compliance Committee, the primary duties of the Legal Compliance Committee are to assist in overseeing the Group's compliance with laws and regulations relevant to its business operations and to review the effectiveness of our regulatory compliance procedures and system.

The attendance records of the members of the Legal Compliance Committee are for the year ended 31 July 2019 are summarised below:

	Meetings Attended/Held
Ms. Guo Liying (<i>Chairperson</i>)	1/1
Mr. Au Siu Chung	1/1
Ms. Kwong Ka Ki	1/1

AUDITORS' REMUNERATION

During the year ended 31 July 2019, the Group engaged Moore Stephens CPA Limited ("Moore") as the Group's external auditors. The remuneration paid and payable to Moore is set out as follows:

Services rendered	Fees paid/payable (HK\$'000)
Statutory audit services	820
Non-audit services	38
	<hr/>
	858
	<hr/> <hr/>

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Mr. Cheng Man For (“Mr. Cheng”) was appointed as the Company Secretary of the Company on 1 August 2018. Mr. Cheng has confirmed that he has undertaken not less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules.

COMPLIANCE OFFICER

Mr. Au Siu Chung, an executive Director, is the compliance officer of the Group. Please refer to the section “Biographical details of Directors and Senior Management” for his biographical information.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining adequate system of internal controls and risk management within the Group. During the year ended 31 July 2019, the Board has also conducted a review of the effectiveness of the risk management and internal control system of the Group. The systems of internal controls and risk management are designed to facilitate effective and efficient operations, to safeguard assets and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations. They are also designed to provide reasonable, but not absolute, assurance that material misstatement or loss can be avoided, and to manage and minimize risks of failure in operation systems. In the future, the Group will conduct regular review of the Group’s internal control and risk management systems and its effectiveness to ensure the interest of shareholders is safeguarded.

OBJECTIVES OF RISK MANAGEMENT AND INTERNAL CONTROL

The objectives of the risk management and internal control framework of the Group include:

- to strengthen the Group’s risk management and internal control in compliance with the GEM Listing Rules requirements;
- to establish and constantly improve the risk management and internal control systems; and
- to keep baseline risks within the acceptable range.

PRINCIPLES OF INTERNAL CONTROL

The Group’s risk management and internal control systems involve five elements as internal environment, risk assessment, control activities, information and communication and internal supervision. The aim of internal control is to reasonably guarantee the compliance of its operation and management with regulations and laws, assets security, and authenticity and integrity of financial report and related information, improve the efficiency and effectiveness of operating activities and promote the realization of development strategy of the Group.

THREE-TIER RISK MANAGEMENT APPROACH

The Group has adopted a three-tier risk management approach to identify, assess, mitigate and handle risks. At the first line of defence, business units are responsible for identifying, assessing and monitoring risks associated with each business or deal. The finance department, as the second line of defence, defines rule sets and models, oversees and reports risk management matters to the Board. It ensures that risks are within the acceptable range and that the first line of defence is effective. As the final line of defence, the Board together with Audit Committee of the Company, with advices from professionals, ensures that the first and second lines of defence are effective through constant inspection and monitoring.

During the year ended 31 July 2019, the Board appointed an independent professional consultancy firm to conduct an internal control review. Based upon the results of the internal control review which were submitted to the Audit Committee for consideration, the Board and the Audit Committee are satisfied that the Group's systems of risk management and internal controls, including financial, operational, compliance, and risk management functions, are adequate and effective.

The process used to identify, assess and management of principal risks

The risk management process of the Group is described as follows:

- Risk identification – identify the current risks confronted.
- Risk analysis – conduct analysis on the risk including the impact extent and possibility of occurrence.
- Risk response – choose a proper risk response method and develop a risk mitigation strategy.
- Control measures – propose up-to-date internal control measures and policy and process.
- Risk control – continuously monitor the risks identified and implement relevant internal control measures to ensure the effective operation of the risk response strategy.
- Internal control & management report – summarise results of internal control review, formulate and report an action plan.

The process used to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects:

The Group establishes a risk management information and communication channel that is functional within the whole basic risk control procedure, connects different levels in the reporting system and different departments and operation units, so as to ensure timely, accurate and complete communication of information, laying a solid foundation for the monitoring and improvement of risk management.

CORPORATE GOVERNANCE REPORT

Different departments and business units of the Group regularly inspect and examine their own risk management process in order to locate the shortcomings and remedy the situation if possible.

The Board further considers that (i) there was no material issue relating to the Group's risk management and internal controls, including financial, operational and compliance controls and risk management functions of the Group; and (ii) that there were adequate staff with appropriate and adequate qualifications and experience, resources for accounting, internal audit and financial reporting functions, and adequate training programmes had been provided during the year ended 31 July 2019.

SENIOR MANAGEMENT REMUNERATION

For the year ended 31 July 2019, the remuneration of the senior management is listed below by band:

	Number of individuals
HK\$500,001 to HK\$1,000,000	1

Details of the directors' remuneration and five highest paid individuals for the year ended 31 July 2019 as regarded to be disclosed pursuant to the Code are provided in Notes to the Consolidated Financial Statements in this annual report.

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge and understand their responsibility for preparing the consolidated financial statements and to ensure that the consolidated financial statements of the Group are prepared in a manner which reflects the true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the GEM Listing Rules. The Directors are of the view that the consolidated financial statements of the Group for each financial year have been prepared on this basis.

To the best knowledge of the Directors, there is no uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

Statement of the Company's external auditor's responsibilities in respect of the consolidated financial statements is set out in the Independent Auditor's Report of this report.

GENERAL MEETINGS WITH SHAREHOLDERS

The annual general meeting (“AGM”) is a forum in which the Board and the shareholders communicate directly and exchange views concerning the affairs and overall performance of the Group, and its future developments, etc. At the AGM, the Directors (including INEDs) are available to attend to questions raised by the shareholders. The external auditors of the Company is also invited to be present at the AGM to address to queries of the shareholders concerning the audit procedures and the auditors’ report.

The AGM of the Company will be held on 28 November 2019, the notice of which shall be sent to the shareholders of the Company at least 20 clear business days prior to the meeting.

SHAREHOLDERS’ RIGHTS

Convening of Extraordinary General Meeting on Requisition by Shareholders

Pursuant to article 64 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting (“EGM”). EGMs shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. If, within 21 days of such deposit, the Board fails to proceed to convene such meeting, all reasonable expenses incurred by the requisition(s) as a result of the failure of the Board shall be reimbursed to the requisition(s) by the Company.

Procedures for Shareholders’ Nomination of Directors

Pursuant to article 113 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office of the Company. The period for lodgment of the notices required under the Article will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

CORPORATE GOVERNANCE REPORT

Procedures for directing shareholders' enquiries to the Board

Shareholders may direct their enquiries concerning their shareholdings to the Company's share registrars. Shareholders may also make a request for the Company's information to the extent that such information has been made publicly available by the Company. All written enquiries or requests may be forwarded to the Company's headquarter or by fax to (852) 3622 2952, or by email to feedback@allnationinternational.com.

The addresses of the Company's headquarter and the Company's share registrars can be found in the section "Corporate Information" of this annual report.

Investor Relations

To ensure transparent and comprehensive disclosures to investors, the Group delivers information of the Group to the public through various channels, including general meeting, public announcement and financial reports. Investors are also able to access the latest news and information of the Group via its website (www.allnationinternational.com).

In order to maintain good and effective communication, the Company together with the Board extend their invitation to all shareholders and encourage them to attend the forthcoming AGM and all future general meetings.

Shareholders may also forward their enquiries and suggestions in writing to the Company to the following:

Address: Unit 1902, 19/F.
Harbour Centre
No. 25 Harbour Road
Wanchai
Hong Kong

Email: feedback@allnationinternational.com

Significant Changes in Constitutional Documents

During the year ended 31 July 2019, there had been no change in the constitutional documents of the Company.

The Board is pleased to present the annual report together with the audited consolidated financial statements for the year ended 31 July 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group's principal activities are (i) the provision of civil engineering consulting, contracting and project management services in Hong Kong; (ii) the provision of interior design and decoration services in Hong Kong and the PRC; and (iii) property sub-leasing in the PRC.

BUSINESS REVIEW

Further discussion and analysis of the activities of the Group during the year ended 31 July 2019, and an indication of likely future developments in the Group's business as required by Schedule 5 to the Companies Ordinance, Chapter 622, can be found in the section headed "Management Discussion and Analysis" of this annual report. Those discussions form part of this directors' report.

PRINCIPAL RISKS

Details of the principal risks of the Group during the year ended 31 July 2019 are set out in Note 32 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 July 2019 are set out in the consolidated statement of profit or loss and other comprehensive income in this annual report.

The Board did not recommend payment of final dividend to shareholders of the Company for the year ended 31 July 2019.

CLOSURE OF REGISTER OF MEMBERS

As the forthcoming AGM of the Company to be held on 28 November 2019 (Thursday), the register of members of the Company will be closed from 25 November 2019 (Monday) to 28 November 2019 (Thursday) (both days inclusive) for the said AGM or any adjournment thereof. All transfer of the Company's shares together with the relevant share certificates must be lodged with the Company's branch share registrar and transfer office no later than 4:30 p.m. on 22 November 2019 (Friday) in order to qualify for the right to attend and vote at the meeting (or any adjournment thereof). The Company's branch share registrar and transfer office is at:

Address: Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

DIRECTORS' REPORT

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years are set out in this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements of the property, plant and equipment of the Group during the year ended 31 July 2019 are set out in Note 13 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND COMPLIANCE WITH LAWS AND REGULATIONS

Details of environmental policies and performance are set out in the “Environmental, Social and Governance Report” in this annual report. The Group is committed to ensure that the Group’s operation is in compliance with applicable laws and regulations. As far as the Directors are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Directors recognises that employees, customers and business partners are the keys to the sustainable development of the Group.

Employees are regarded as the most important and valuable assets of the Group. The Group attracts and retains key personnel and talents with appropriate skills, experience and competence which would complement and meet the corporate and business objectives of the Group. The Group ensures all employees are reasonably remunerated and the remuneration packages of employees are reviewed regularly and necessary adjustments are made to the remuneration packages to align with the market standards.

The Group also stays connected with its customers and suppliers and has ongoing communication with the customers and suppliers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions.

SUBSIDIARIES

Particulars of the Company’s principal subsidiaries as at 31 July 2019 are set out in Note 26 to the consolidated financial statements.

SHARE CAPITAL AND SHARE PREMIUM

The Company’s total issued share capital as at 31 July 2019 was 411,200,000 ordinary shares of HK\$0.01 each.

Details of movements of the share capital and the share premium of the Company during the year ended 31 July 2019 are set out in Notes 22 and 24 to the consolidated financial statements.

EMOLUMENT POLICY FOR DIRECTORS

The Remuneration Committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group. The remunerations of the Directors are determined with reference to the economic situation, the market condition, the responsibilities and duties assumed by each Director as well as their individual performance.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 July 2019 are set out in Note 24 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As of 31 July 2019, no reserves of the Company available for distribution, as calculated under the provisions of section 79B of the Companies Ordinance, and in accordance with the Companies Law Cap. 22 of Cayman Islands, (2018: approximately HK\$14.7 million) inclusive of share premium and accumulated losses.

SHARE OPTION SCHEME

Particulars of the share option scheme (the "Scheme") which was adopted on 19 November 2014 are set out in Note 23 to the consolidated financial statements.

No share options were granted since the adoption of the Scheme and there were no share option outstanding as at 31 July 2019.

DIRECTORS

The Directors of the Company during the year ended 31 July 2019 and up to the date of this annual report were:

Executive Directors

Mr. Lin Ye (*Chairman*) (*Appointed on 12 October 2018*)

Mr. Au Siu Chung (*Compliance Officer*)

Mr. Long Jie

Mr. Yuan Shuang Shun

Ms. Xiao Yi Liao Ge

Ms. Tong Jiang Xia (*Resigned on 12 October 2018*)

Independent Non-executive Directors

Ms. Kwong Ka Ki

Mr. Yu Hua Chang

Ms. Guo Liying

DIRECTORS' REPORT

The Directors' biographical details are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

Information regarding directors' emoluments is set out in Note 9 to the consolidated financial statements.

An annual confirmation of independence pursuant to the requirements under Rule 5.09 of the GEM Listing Rules has been received from each of the INEDs.

DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has entered into service agreements with the Company for a term of two years. All of these service agreements may be terminated earlier by no less than two months written notice served by either party to the other.

Each of the INEDs has entered into a service agreement with the Company for a term of one to two years, which may be terminated earlier by no less than three months written notice served by either party on the other.

No director proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation. The non-executive Director of the Company was appointed for a fixed period but subject to retirement from office and re-election at the AGM of the Company in accordance with the Articles.

In accordance with article 112 of the Articles, any director appointed by the Board either to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Pursuant to Article 108 of the Articles, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Accordingly, pursuant to article 108 of the Articles, Mr. Au Siu Chung, Mr. Yuan Shuang Shun and Mr. Long Jie will retire from office as a Director at the forthcoming AGM, and being eligible, offer herself for re-election.

Each of the executive Directors shall also be entitled to discretionary bonus to be determined by the Board based on, among other things, the performance of the individual directors and the overall financial position of the Group, and is subject to the recommendation of the remuneration committee of the Company.

PERMITTED INDEMNITY

During the year ended 31 July 2019, the Company has arranged Directors' and officers' liability insurance for all Directors and senior management of the Company. The insurance covers the corresponding costs, charges, expenses and liabilities for legal action of corporate activities against them.

DISCLOSURE OF INTERESTS

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

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

Long positions in the Shares

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

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

Note:

- 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.

DIRECTORS' REPORT

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

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

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

Notes:

1. Interests in Shares stated above represent long positions.
2. The entire issued share capital of Sonic Solutions Limited is wholly-owned by Mr. Lin Ye, an executive director of the Company.
3. Mr. Jing Shiqi beneficially owns the entire issued share capital of Wealth Triumph Corporation which in turns hold 60,000,000 Shares. As such, Mr. Jing Shiqi is deemed, or taken to be, interested in all the Shares held by Wealth Triumph Corporation for the purposes of the SFO. Mr. Jing Shiqi is the sole director of Wealth Triumph Corporation.

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

MAJOR CUSTOMERS

During the year ended 31 July 2019, the Group's five largest customers accounted for approximately 43.6% (2018: 55.94%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 13.3% (2018: 15.62%) of the total revenue.

None of the Directors or any of their close associates, or any shareholder (which to the knowledge of the Directors own 5% or more of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

MAJOR SUPPLIERS

During the year ended 31 July 2019, the Group's five largest suppliers accounted for approximately 43.4% (2018: 65.41%) of the total purchases of the Group and the largest supplier of the Group accounted for approximately 14.7% (2018: 21.36%) of the total purchases.

None of the Directors or any of their close associates, or any shareholder (which to the knowledge of the Directors own 5% or more of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries, holding company or fellow subsidiaries was a party and in which a Director had a material interests directly or indirectly subsisted at the end of the year ended 31 July 2019 or at any time during the year ended 31 July 2019.

MANAGEMENT CONTRACTS

No management contracts concerning the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 July 2019.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 July 2019 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' REPORT

MATERIAL ACQUISITIONS, DEREGISTRATIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Details of the Group's material acquisitions, deregistrations and disposals of subsidiaries and affiliated companies for the year ended 31 July 2019, if any, are set out in the section headed "Management Discussion and Analysis" of this annual report.

COMPETITION AND CONFLICT OF INTEREST

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

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

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

CORPORATE GOVERNANCE CODE

During the year ended 31 July 2019, save as disclosed in this annual report, the Company had complied with the applicable code provisions of the Code as set out in Appendix 15 to the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

SHARE OPTION SCHEME

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

SUFFICIENCY OF PUBLIC FLOAT

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

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

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

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

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

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.

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 annual report, the Audit Committee consists of three members, namely Ms. Kwong Ka Ki (Chairperson), Mr. Yu Hua Chang and Ms. Guo Liying.

DIRECTORS' REPORT

REVIEW OF ANNUAL REPORT

This annual report for the year ended 31 July 2019 has been reviewed by the Audit Committee, which was of the opinion that the information contained therein had complied with the disclosure requirements of the GEM Listing Rules, and that adequate disclosures had been made.

On behalf of the Board
China All Nation International Holdings Group Limited
Lin Ye
Chairman and Executive Director

Hong Kong, 10 October 2019



Moore Stephens CPA Limited

801-806 Silvercord, Tower 1,
30 Canton Road, Tsimshatsui,
Kowloon, Hong Kong

T +852 2375 3180
F +852 2375 3828

www.moore.hk

大
華
馬
施
雲
會
計
師
事
務
所
有
限
公
司

To the Members of
China All Nation International Holdings Group Limited
(Formerly known as KSL Holdings Limited)
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China All Nation International Holdings Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 73 to 165, which comprise the consolidated statement of financial position as at 31 July 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 July 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditors’ responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTER

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the key audit matters

Revenue recognition on contracts for interior design and decoration works

Refer to the notes 4.12, 5(b), and 6 to the consolidated financial statements

The Group recorded revenue from contracts for interior design and decoration works amounting to approximately HK\$60,361,000 for the year ended 31 July 2019.

As set out in note 4.12 to the consolidated financial statements, the Group recognises revenue from these contracts by reference to the progress towards complete satisfaction of the relevant performance obligation using input method, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Accordingly, revenue recognition on these contracts involved a significant degree of management judgement and high level of estimation uncertainty, with estimates being made to assess the total contract costs and stage of completion of the contract. The details of the accounting policies and estimation uncertainty in relation to revenue recognition on contracts for interior design and decoration works are set out in notes 4.12 and 5(b) to the consolidated financial statements.

We identified the revenue recognition on contracts for design interior and decoration works as a key audit matter due to the significant judgement required to be exercised by the management and the high estimation uncertainty in determining the total contract costs and contract costs incurred for work performed to date.

Our procedures in relation to revenue recognition on contracts for interior design and decoration works mainly included:

- Assessing the design and implementation of key internal controls over the contract revenue and profit recognition processes;
- Challenging the management's process relating to the estimation of total contract costs and recording of costs;
- Obtaining a detailed breakdown of the total estimated costs to completion for all contracts in progress during the year and comparing, on a sample basis, actual costs incurred at the reporting date and cost estimates with agreements, certifications or correspondence with subcontractors and suppliers and other documentation referred to by management in its assessment of the estimated costs to completion;
- Performing comparisons between the percentage of completion and the percentage of progress billing on selected contracts to identify and investigate any significant differences by obtaining an understanding from project managers and checking correspondence with customers of the Group; and
- Performing a retrospective review for contracts completed during the current year by comparing the final outcome of the contracts with previous estimates made for those contracts to assess the reliability of the management's forecasting process for contract costs.

KEY AUDIT MATTER – *continued*

Key audit matter

How our audit addressed the key audit matters

Impairment assessment of trade receivables and contract assets

Refer to the notes 4.9, 5(c), 16 and 32(ii) to the consolidated financial statements

As at 31 July 2019, the Group had trade receivables and contract assets with gross carrying amounts of approximately HK\$21,953,000 and approximately HK\$18,441,000 respectively. The Group had recognised expected credit loss (“ECL”) on trade receivables and contract assets of approximately HK\$811,000 during the year ended 31 July 2019.

The ECL assessment on trade receivables and contract assets is considered to be a matter of most significance as it requires the application of significant judgement and use of subjective assumptions by the Group’s management. The management of the Group believed that the methodologies and inputs used in estimating ECL are in accordance with the applicable accounting standard. These models and assumptions relate to the future macroeconomic conditions and debtors’ creditworthiness. The Group has adopted judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as criteria for judging significant increase in credit risk, definition of credit-impaired financial asset, parameters for measuring ECL and forward-looking information.

Our procedures to address the matter included:

- Evaluating the methodologies, inputs and assumptions used by the Group in calculating the ECL, by reference to externally available economic data;
- Obtaining an ageing analysis of the trade receivables from the management of the Group and testing the accuracy of ageing of trade receivables at the reporting date to the underlying invoices on a sample basis;
- Challenging the management’s assessment of the recoverability of long outstanding and overdue trade receivables and contract assets;
- Selecting samples considering the management’s assessment of the latest financial conditions of the debtors, based on historical experience and observable external data; and
- Assessing the adequacy of the ECL recorded by reviewing subsequent settlements after the year end any correspondence with customers about expected settlement dates.

INDEPENDENT AUDITOR'S REPORT

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 July 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 26 October 2018.

INFORMATION OTHER THAN THE CONSOLIDATION FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises all the information in the Company's 2019 annual report other than consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the audit committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee of the Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee of the Company, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Moore Stephens CPA Limited

Certified Public Accountants

Hung, Wan Fong Joanne

Practising Certificate Number: P05419

Hong Kong, 10 October 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 July 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Revenue	6	103,165	37,240
Cost of sales		<u>(85,489)</u>	<u>(33,622)</u>
Gross profit		17,676	3,618
Other income and gains	7	2,738	4,784
Fair value changes on financial assets at fair value through profit or loss		–	(2,915)
Administrative and other operating expenses		(20,812)	(23,653)
Impairment loss allowance on trade receivables and contract assets		<u>(811)</u>	<u>(17)</u>
Loss before income tax	8	(1,209)	(18,183)
Income tax expense	10	<u>(2,442)</u>	<u>(490)</u>
Loss for the year		<u>(3,651)</u>	<u>(18,673)</u>
Other comprehensive income 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>88</u>	<u>–</u>
Total comprehensive loss for the year, net of income tax		<u>(3,563)</u>	<u>(18,673)</u>
Loss for the year attributable to:			
Owners of the Company		(7,051)	(14,651)
Non-controlling interests	26	<u>3,400</u>	<u>(4,022)</u>
		<u>(3,651)</u>	<u>(18,673)</u>
Total comprehensive loss for the year attributable to:			
Owners of the Company		(6,963)	(14,651)
Non-controlling interests		<u>3,400</u>	<u>(4,022)</u>
		<u>(3,563)</u>	<u>(18,673)</u>
Loss per share attributable to the owners of the Company			
– Basic and diluted loss per share (HK cents)	11	<u>(1.71)</u>	<u>(3.56)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Non-current assets			
Property, plant and equipment	13	3,087	1,388
Goodwill	14	230	–
Intangible assets	15	882	–
Deposits paid	18	12,330	–
		<u>16,529</u>	<u>1,388</u>
Current assets			
Trade receivables	16	21,078	9,951
Contract assets	16	18,334	–
Amounts due from customers for contract work	17	–	3,107
Prepayments, deposits paid and other receivables	18	20,487	3,142
Tax recoverable		–	1,390
Cash and cash equivalents	19	65,518	66,584
		<u>125,417</u>	<u>84,174</u>
Current liabilities			
Trade and other payables	20	52,654	7,756
Contract liabilities	20	1,392	–
Amounts due to customers for contract work	17	–	4
Tax payable		2,011	793
		<u>56,057</u>	<u>8,553</u>
Net current assets		<u>69,360</u>	<u>75,621</u>
Total assets less current liabilities		<u>85,889</u>	<u>77,009</u>
Non-current liabilities			
Deposits received	20	12,697	–
Deferred tax liabilities	21	220	–
		<u>12,917</u>	<u>–</u>
Net assets		<u><u>72,972</u></u>	<u><u>77,009</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Equity			
Share capital	22	4,112	4,112
Reserves	24	<u>69,723</u>	<u>77,099</u>
Equity attributable to owners of the Company		73,835	81,211
Non-controlling interests	26	<u>(863)</u>	<u>(4,202)</u>
Total equity		<u>72,972</u>	<u>77,009</u>

The consolidated financial statements on pages 73 to 165 were approved and authorised for issue by the Board of Directors on 10 October 2019 and are signed on its behalf by:

Mr. Yuan Shuang Shun
Director

Mr. Au Siu Chung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2019

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note 22)	(Note 24)	(Note 24)			
At 31 July 2017	4,112	24,394	67,356	95,862	(180)	95,682
Loss and total comprehensive loss for the year	–	–	(14,651)	(14,651)	(4,022)	(18,673)
At 31 July 2018 as previously reported	4,112	24,394	52,705	81,211	(4,202)	77,009
Impact on initial application of Hong Kong Financial Reporting Standard (“HKFRS”) 9 (Note 3.2(ii))	–	–	(413)	(413)	(84)	(497)
Adjusted balance at 1 August 2018	4,112	24,394	52,292	80,798	(4,286)	76,512
(Loss)/profit for the year	–	–	(7,051)	(7,051)	3,400	(3,651)
Other comprehensive income for the year						
Exchange differences on translation of financial statements of foreign operations	–	–	88	88	–	88
Total comprehensive loss for the year	–	–	(6,963)	(6,963)	3,400	(3,563)
Disposal of subsidiaries (Note 27)	–	–	–	–	31	31
Deregistration of a subsidiary (Note 26(i))	–	–	–	–	(8)	(8)
At 31 July 2019	4,112	24,394	45,329	73,835	(863)	72,972

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 July 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Cash flows from operating activities			
Net cash generated from/(used in) operations	25(a)	8,333	(4,259)
Income tax refunded		93	1,594
Interest received		64	4
		<u>8,490</u>	<u>(2,661)</u>
Net cash generated from/(used in) operating activities			
Cash flows from investing activities			
Net cash outflow on acquisition of a subsidiary	28	(9,451)	–
Net cash inflow on disposal of subsidiaries	27	2	21,972
Purchases of property, plant and equipment	13	(1,183)	(53)
Refundable deposit refunded		–	2,600
Loan received		–	22,000
Loan interest received		–	1,619
		<u>(10,632)</u>	<u>48,138</u>
Net cash (used in)/generated from investing activities			
Cash flows from financing activities			
Advance from a related party	25(b)	1,000	–
		<u>1,000</u>	<u>–</u>
Net cash generated from financing activities			
Net (decrease)/increase in cash and cash equivalents		(1,142)	45,477
Cash and cash equivalents at beginning of the year		66,584	21,107
Effect of foreign exchange rate changes		76	–
		<u>76</u>	<u>–</u>
Cash and cash equivalents at end of the year	19	<u>65,518</u>	<u>66,584</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

1. GENERAL INFORMATION

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

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

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of civil engineering consulting and contracting services in Hong Kong, property sub-leasing and management business in the People’s Republic of China (the “**PRC**”) and interior design services and decoration works in both Hong Kong and PRC. The provision of interior design and decoration work services and property sub-leasing business in the PRC are related to the acquisition of a subsidiary for the year ended 31 July 2019, details of which are set out in note 28.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (“**Int**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**Listing Rules**”).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

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 2019 comprise the Company and its subsidiaries (the “Group”).

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

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

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

Judgements made by management in the application of HKFRSs that have significant effect on these consolidated financial statements and major sources of estimation uncertainty are discussed in note 5.

3. ADOPTION OF NEW AND REVISED HKFRSs

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

3. ADOPTION OF NEW AND REVISED HKFRSs – continued

3.1 HKFRS 15 Revenue from Contracts with Customers

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

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

The Group recognises revenue from the provision of civil engineering consulting, contracting, interior design services and decoration works, which arise from contracts with customers. Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 4.12, 5(a) and 5(b).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

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

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

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

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

Notes:

- (a) In relation to contracts for contracting works and interior design and decoration works previously accounted for under HKAS 11, the Group continues to apply output method and input method respectively in estimating the performance obligations satisfied up to date of initial application of HKFRS 15. The amounts due from/to customers for contract works and retention receivables were reclassified to contract assets and contract liabilities.
- (b) At the date of initial application, included in trade and other payables are advances received from customers for contract work amounted to approximately HK\$866,000. These balances were reclassified to contract liabilities upon application of HKFRS 15.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

3. ADOPTION OF NEW AND REVISED HKFRSs – continued

3.1 HKFRS 15 Revenue from Contracts with Customers – continued

Impact on the consolidated statement of financial position

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

Impact on the consolidated statement of cash flows

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

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

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

Impact on the consolidated statement of cash flows – *continued*

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

3.2 HKFRS 9 Financial Instruments

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

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

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

Accounting policies resulting from application of HKFRS 9 are disclosed in note 4.8.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

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

3.2 HKFRS 9 Financial Instruments – *continued*

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

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

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

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

(ii) *Expected credit losses*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

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

3.2 HKFRS 9 Financial Instruments – *continued*

(ii) *Expected credit losses – continued*

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

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

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

HKFRS 16 Leases

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

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

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

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

HKFRS 16 Leases – continued

As at 31 July 2019, the Group has non-cancellable operating lease commitments of approximately HK\$228,034,000 as disclosed in note 29(a). A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise right-of-use assets and lease liabilities in respect of all these leases unless they qualify for low value or short-term leases.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 July 2019.

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

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.1 Basis of consolidation – *continued*

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When the Group loses control of a subsidiary, it (i) derecognises the assets and liabilities of the subsidiary at their carrying amounts at the date when control is lost, and (ii) recognises the aggregate of the fair value of the consideration received, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group.

Non-controlling interests are presented in the combined consolidated statements of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the combined consolidated statements of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

4.2 Business combinations and goodwill

Business combinations are accounted for using the acquisition method.

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at fair value or at the non-controlling interests' proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.2 Business combinations and goodwill – *continued*

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree. If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in the consolidated income statement.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or a liability that is a financial instrument and within the scope of HKFRS 9 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKFRS 9, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in consolidated statement of profit or loss and other comprehensive income as a bargain purchase gain.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date. After initial recognition, goodwill is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.2 Business combinations and goodwill – *continued*

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The Group performs its annual impairment test of goodwill as at 31 July. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") (or groups of CGU) that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those CGU or groups of CGU. Impairment is determined by assessing the recoverable amount of the CGU (or group of CGU) to which the goodwill relates. If the recoverable amount of the CGU (or group of CGU) is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGU) and then to the other assets of the CGU on a pro-rata basis based on the carrying amount of each asset in the CGU. Any impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a CGU (or group of CGU) and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the CGU retained.

4.3 Subsidiaries

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

In the Company's statement of financial position, interests in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4.4 Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.4 Property, plant and equipment and depreciation – *continued*

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its estimated residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

- | | | |
|--|---|--|
| – Leasehold improvements | : | Over the remaining life of the lease but not exceeding 5 years |
| – Furniture, fixtures and office equipment | : | 20% – 50% |
| – Motor vehicles | : | 20% |

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Estimated residual values, estimated useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

4.5 Intangible assets

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful life is provided on a straight-line basis over its estimated useful life.

Intangible assets with indefinite useful lives are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from being indefinite to finite is accounted for on a prospective basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.6 Impairment of non-financial assets

Where an indication of impairment exists, the recoverable amounts of property, plant and equipment and intangible assets are estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation and amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

4.7 Leasing

Leases, including subleases, where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.7 Leasing – *continued*

The Group as lessee – continued

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (note 4.19). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period of which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line basis.

The Group as lessor

When assets are leased out under an operating lease, the asset is included in the consolidated statement of financial position based on the nature of the asset. Lease income on operating leases is recognised over the term of the lease on a straight-line basis.

4.8 Financial instruments

Financial instruments (upon adoption of HKFRS 9 from 1 August 2018)

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers (that do not have separately identified financing components) which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.8 Financial instruments – *continued*

Financial instruments (upon adoption of HKFRS 9 from 1 August 2018) – continued

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating and recognising interest income and interest expense in profit or loss over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Group estimates the expected cash flows by considering all the contractual terms of the financial instrument but not considering the expected credit losses.

Interest income which are derived from the Group's ordinary course of business are presented as other income.

Financial assets

Classification and measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI on initial recognition/as at date of initial application of HKFRS 9 if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 (Revised) *Business Combinations* applies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.8 Financial instruments – *continued*

Financial instruments (upon adoption of HKFRS 9 from 1 August 2018) – continued

Financial assets – *continued*

Classification and measurement of financial assets – *continued*

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term;
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not a financial guarantee contract of designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Financial assets are recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Accounting policy of impairment of financial assets measured at amortised cost is stated in note 4.9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.8 Financial instruments – *continued*

Financial instruments (upon adoption of HKFRS 9 from 1 August 2018) – continued

Financial assets – *continued*

Classification and measurement of financial assets – *continued*

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.8 Financial instruments – *continued*

Financial instruments (upon adoption of HKFRS 9 from 1 August 2018) – continued

Financial assets – *continued*

Derecognition of financial assets – *continued*

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at amortised costs. All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and deposits received are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "Finance costs" in profit or loss.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.8 Financial instruments – *continued*

Financial instruments (prior to adoption of HKFRS 9)

Financial assets

Classification and measurement of financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. The Group determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade receivables, deposits paid and other receivables, and cash and cash equivalents in the consolidated statement of financial position.

Regular way purchases and sales of financial assets are recognised on the trade-date, that is, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.8 Financial instruments – *continued*

Financial instruments (prior to adoption of HKFRS 9) – continued

Financial assets – *continued*

Derecognition of financial assets – *continued*

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that the Group could be required to repay.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

Financial liabilities

The accounting policy of classification and measurement of financial liabilities has no change under the application of HKAS 39 and HKFRS 9. Please refer to above accounting policy in regarding to financial liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.9 Impairment of financial assets and contract assets

Impairment of financial assets (upon adoption of HKFRS 9 from 1 August 2018 onwards)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, contract assets and deposits paid and other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

Assessments are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.9 Impairment of financial assets and contract assets – *continued*

Impairment of financial assets (upon adoption of HKFRS 9 from 1 August 2018 onwards)
– *continued*

(i) **Significant increase in credit risk – *continued***

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise. The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) **Definition of default**

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.9 Impairment of financial assets and contract assets – *continued*

Impairment of financial assets (upon adoption of HKFRS 9 from 1 August 2018 onwards) – continued

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner.

Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.9 Impairment of financial assets and contract assets – *continued*

Impairment of financial assets (upon adoption of HKFRS 9 from 1 August 2018 onwards) – continued

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped based on:

Nature of financial instruments (i.e. the Group's trade receivables together with contract assets and deposits paid and other receivables are each assessed as a separate group);

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.9 Impairment of financial assets and contract assets – *continued*

Impairment of financial assets prior to 1 August 2018

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to "impairment loss allowance on trade receivables and contract assets" in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.10 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

4.11 Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.11 Income tax – *continued*

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.12 Revenue Recognition

Revenue recognition (upon adoption of HKFRS 15 from 1 August 2018 onwards)

Revenue from contracts with customers

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.12 Revenue Recognition – *continued*

Revenue recognition (upon adoption of HKFRS 15 from 1 August 2018 onwards) – continued

Revenue from contracts with customers – *continued*

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Engineering consulting and contracting

Revenue from the provision of engineering consulting and contracting works is recognised over time, using an output method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls over time as the asset is created or enhanced. The output method recognises revenue in accordance with the direct measurements of the value of the services transferred by the Group to the customer with reference to the certified value of work performed to date.

Interior design and decoration works

Revenue from the provision of interior design and decoration works is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the interior design and decoration work services.

Revenue from other than contracts with customers

Further details of the Group's revenue and other income recognition policies are as follows: –

Property sub-leasing rental income is recognised on a time proportion basis over the lease terms.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.12 Revenue Recognition – *continued*

Revenue recognition (prior to adoption of HKFRS 15)

Revenue comprises the fair value of the consideration received or receivables for the sale of services in the ordinary course of the Group's activities. Revenue is shown after eliminating sales within the Group.

(a) Contracting and interior design and decoration income

Contract costs are recognised when incurred. When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured.

Revenue from contract work is recognised based on the percentage of completion of the contracts, provided that the percentage of contract completion and the gross billing value of contracting work can be measured reliably. The percentage of completion of a contract is established by reference to the construction works certified by the customer or to the proportion that contract costs incurred for work performed to date bear to the estimated total contract cost.

Contract work-in-progress is valued at cost incurred plus an appropriate proportion of profits after deducting progress payments and allowances for foreseeable losses. Cost comprises construction material costs, labour and overheads expenses incurred in bringing the work-in-progress to its present condition.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within trade and retention receivables. The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.12 Revenue Recognition – *continued*

Revenue recognition (prior to adoption of HKFRS 15) – continued

(b) Engineering consulting and project management service income

Revenue from provision of engineering consulting and project management services are recognised when the related services rendered to the customer.

(c) Financial public relations services income

Financial public relations service income is recognised when services are rendered.

(d) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

4.13 Foreign currency translation

The consolidated financial statements are presented in HK\$, which is also the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated. In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during the year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.13 Foreign currency translation – *continued*

Such translation differences are reclassified to profit or loss from equity in the period in which the foreign operation is disposed of. On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

4.14 Employee benefits

(a) *Pension obligations*

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The employees of the subsidiary within the Group which operate in the PRC are required to participate in the central pension scheme operated by the local municipal government. This PRC subsidiary is required to contribute a percentage of their payroll costs to the central pension scheme as specified by the local municipal government. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

(b) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.14 Employee benefits – *continued*

(c) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(d) *Bonus plans*

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

4.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4.16 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.17 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4.18 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are declared by the directors in case of interim dividends or approved by the Company's shareholders in case of final dividends.

4.19 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for the intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.20 Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.20 Related parties – *continued*

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – *continued*

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Revenue recognition on contracts for contracting works

As detailed in notes 4 and 6, the Group recognised revenue on contracts for contracting works by reference to the progress towards complete satisfaction of the relevant performance obligation using output method because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The output method recognises revenue based on the value of the contracting works transferred to-date as determined from certificates issued by the external surveyors on the performance of work completed to date.

Because of the nature of the activity undertaken in contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders prepared for each contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

(b) Revenue recognition on contracts for interior design and decoration works

As detailed in notes 4 and 6, the Group recognised revenue on contracts for interior design and decoration works by reference to the progress towards complete satisfaction of the relevant performance obligation using input method, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs.

The management regularly discusses with the project team in order to review and revise the estimates of the total contract costs based on estimated man-hours and stage of completion of the work performed to date with reference to the performance and status of corresponding service contract work. Accordingly, revenue recognition on service contracts involves a significant degree of management estimates and judgement, with estimates being made to assess the total contract costs and contract costs incurred for work performed to date.

The management reviews and revises the estimates of total contract costs for the interior design and decoration work services and contract costs incurred for work performed to date as the contract progresses, the actual outcome of the contract in terms of its total costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – *continued*

(c) Estimated provision of ECL for trade receivables and contract assets

The Group has considered all the possible default events over the expected life of the trade receivables and contract assets and assessed individually for debtors with significant balances and/or collectively using a provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, ageing, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is reasonable and supportable available without undue costs or effort. In addition, trade receivables and contract assets that are credit impaired are assessed for ECL individually. The loss allowance amount of the credit impaired trade receivables and contract assets is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses.

The provision of ECL is sensitive to changes in estimates. The information about the Group's assessment of ECL and the details of the Group's trade receivables and contract assets are disclosed in notes 16 and 32(ii), respectively.

6. REVENUE AND SEGMENT INFORMATION

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

6. REVENUE AND SEGMENT INFORMATION – *continued*

Segment reporting

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

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

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

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

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

Others: Financial public relations services in Hong Kong.

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

6. REVENUE AND SEGMENT INFORMATION – *continued*

Segment reporting – *continued*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

6. REVENUE AND SEGMENT INFORMATION – continued

Segment reporting – continued

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

6. REVENUE AND SEGMENT INFORMATION – *continued*

Geographical information

The following table sets out information about the geographical location of (i) the Group’s revenue from external customers and (ii) the Group’s property, plant and equipment, goodwill, intangible assets and deposits 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	
	2019 HK\$’000	2018 HK\$’000	2019 HK\$’000	2018 HK\$’000
Hong Kong	44,338	37,240	1,736	1,388
PRC	58,827	–	14,793	–
	<u>103,165</u>	<u>37,240</u>	<u>16,529</u>	<u>1,388</u>

Information about major customers

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

	2019 HK\$’000	2018 HK\$’000
Customer A ¹	13,676	N/A ⁴
Customer B ²	N/A ⁴	5,818
Customer C ³	N/A ⁴	4,337
Customer D ²	N/A ⁴	4,022

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

² Revenue from contracting services.

³ Revenue from interior design and decoration work services.

⁴ The customers did not contribute over 10% or more to the Group’s total revenue in the corresponding year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

7. OTHER INCOME AND GAINS

	2019 HK\$'000	2018 HK\$'000
Gain on disposal of subsidiaries (<i>Note 27</i>)	73	2,972
Government grants	–	22
Interest income	64	4
Loan interest income	–	1,619
Management fee income (<i>Note 30(a)</i>)	480	–
Net foreign exchange gains	6	34
Reversal of write-off of trade receivables	300	–
Reversal of impairment loss on deposits paid and other receivables (<i>Note 32(ii)</i>)	954	–
Gain on waiver of the amount due to an individual	528	–
Others	333	133
	<u>2,738</u>	<u>4,784</u>

8. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2019 HK\$'000	2018 HK\$'000
Auditors' remuneration	820	1,060
Amortisation of intangible assets (<i>Note 15</i>)	264	–
Sub-contracting costs recognised as an expense	51,431	26,104
Depreciation of property, plant and equipment* (<i>Note 13</i>)	1,606	1,071
Loss on deregistration of a subsidiary (<i>Note 26(i)</i>)	12	–
Minimum lease payments under operating lease charges**	31,762	2,797
Employee benefits expense (including directors' emoluments (<i>Note 9</i>))***:		
– Salaries and allowances	10,504	13,644
– Retirement benefit scheme contributions (defined contribution scheme)	405	435
Other expenses#	1,050	–
	<u>1,050</u>	<u>–</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

8. LOSS BEFORE INCOME TAX – *continued*

- * Depreciation of approximately HK\$827,000 (2018: nil) and approximately HK\$779,000 (2018: approximately HK\$1,071,000) has been included in cost of sales and administrative expenses respectively.
- ** Minimum lease payments under operating lease charges of approximately HK\$28,444,000 (2018: nil) and approximately HK\$3,317,000 (2018: approximately HK\$2,797,000) has been included in cost of sales and administrative expenses respectively.
- *** Employee benefit expense (including directors' emolument) of approximately HK\$719,000 (2018: approximately HK\$1,250,000) and approximately HK\$10,190,000 (2018: approximately HK\$12,829,000) has been included in cost of sales and administrative expenses respectively.
- # Other expenses relate to expenses of the Group not incurred in the ordinary and usual course of business of the Group which include professional fees incurred by the Group in attending to the queries of the Stock Exchange on maintaining the listing status of the Company.

9. DIRECTORS' EMOLUMENTS

(a) Directors' and chief executive's emoluments

The remuneration of each director for the year ended 31 July 2019 is set out below:

	Fee HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Employer's contribution to a retirement Scheme HK\$'000	Total HK\$'000
Year ended 31 July 2019					
<i>Executive directors</i>					
Mr. Lin Ye (<i>Note (i)</i>)	–	865	–	–	865
Mr. Au Siu Chung	–	600	50	18	668
Mr. Long Jie	–	600	–	–	600
Mr. Yuan Shuang Shun (<i>Note (ii)</i>)	–	582	–	21	603
Ms. Xiao Yi Liao Ge (<i>Note (iii)</i>)	–	582	–	19	601
Ms. Tong Jiangxia (<i>Note (iv)</i>)	–	138	–	5	143
<i>Independent non-executive directors</i>					
Ms. Kwong Ka Ki	200	–	–	–	200
Ms. Guo Liying (<i>Note (v)</i>)	120	–	–	–	120
Mr. Yu Hua Chang (<i>Note (iii)</i>)	120	–	–	–	120
	<u>440</u>	<u>3,367</u>	<u>50</u>	<u>63</u>	<u>3,920</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

9. DIRECTORS' EMOLUMENTS – continued

(a) Directors' and chief executive's emoluments – continued

The remuneration of each director for the year ended 31 July 2018 is set out below:

	Fee HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Employer's contribution to a retirement scheme HK\$'000	Total HK\$'000
Year ended 31 July 2018					
<i>Executive directors</i>					
Mr. Lin Ye (Note (i))	-	-	-	-	-
Mr. Au Siu Chung	-	629	-	20	649
Mr. Long Jie	-	214	-	-	214
Mr. Yuan Shuang Shun (Note (ii))	-	157	-	-	157
Ms. Xiao Yi Liao Ge (Note (iii))	-	138	-	-	138
Mr. Wang Peng (Note (vi))	-	11	-	-	11
Mr. He Jian Wen (Note (vi))	-	11	-	-	11
Ms. Tong Jiangxia (Note (iv))	-	605	-	18	623
<i>Independent non-executive directors</i>					
Ms. Kwong Ka Ki	200	-	-	-	200
Ms. Guo Liying (Note (v))	24	-	-	-	24
Mr. Yu Hua Chang (Note (iii))	62	-	-	-	62
Mr. Tang Yiu Wing (Note (vii))	161	-	-	-	161
Ms. Chui Pui Yu (Note (viii))	97	-	-	-	97
	<u>544</u>	<u>1,765</u>	<u>-</u>	<u>38</u>	<u>2,347</u>

During the year ended 31 July 2019, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2018: Nil). Neither the chief executive nor any of the directors has waived or agreed to waive any emoluments during the year ended 31 July 2019 (2018: Nil).

Salaries, allowances and other benefits paid to or for the executive directors are generally emoluments in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

9. DIRECTORS' EMOLUMENTS – *continued*

(a) Directors' and chief executive's emoluments – *continued*

Notes:

- (i) Appointed on 12 October 2018
- (ii) Appointed on 1 December 2017
- (iii) Appointed on 26 January 2018
- (iv) Resigned on 12 October 2018
- (v) Appointed on 21 May 2018
- (vi) Appointed on 13 December 2016 and resigned on 24 August 2017
- (vii) Appointed on 17 March 2017 and resigned on 21 May 2018
- (viii) Appointed on 1 January 2017 and resigned on 26 January 2018

(b) Five highest paid individuals

The five individuals whose emoluments were highest in the Group include four (2018: two) directors whose emoluments are disclosed above. The emoluments payable to the remaining one individual (2018: three individuals) during the year are as follows:

	2019 HK\$'000	2018 HK\$'000
Short-term benefits:		
Salaries, allowances and benefits in kind	600	2,295
Post-employment benefits:		
Retirement benefit scheme contributions	16	53
	<u>616</u>	<u>2,348</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

9. DIRECTORS' EMOLUMENTS – *continued*

(b) Five highest paid individuals – *continued*

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2019	2018
Nil – HK\$1,000,000	1	2
HK\$1,000,001 – HK\$1,500,000	-	1

During the year ended 31 July 2019, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group (2018: Nil).

10. INCOME TAX EXPENSE

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

10. INCOME TAX EXPENSE – *continued*

	2019 HK\$'000	2018 HK\$'000
Current – Hong Kong		
Charge for the year	–	490
Current – PRC		
Charge for the year	2,508	–
Deferred tax (Note 21)	(66)	–
Income tax expense	2,442	490

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

10. INCOME TAX EXPENSE – *continued*

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately HK\$4,014,000 (2018: approximately HK\$3,750,000) in respect of losses amounting to approximately HK\$24,327,000 (2018: approximately HK\$22,725,000) that can be carried forward against future taxable income. Tax losses may be carried forward indefinitely. Certain amounts of unused tax losses are subject to approval from the Hong Kong Inland Revenue Department. Other than as disclosed in note 21, the Group does not have deferred income tax assets and liabilities in the consolidated financial statements as the Group did not have other material temporary differences arising between tax bases of assets and liabilities and their carrying amounts as at 31 July 2019 (2018: Nil).

11. LOSS PER SHARE

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

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

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

12. DIVIDENDS

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost				
At 1 August 2017	1,745	1,695	361	3,801
Additions	–	53	–	53
At 31 July 2018	<u>1,745</u>	<u>1,748</u>	<u>361</u>	<u>3,854</u>
Accumulated depreciation				
At 1 August 2017	675	635	85	1,395
Charge for the year	616	383	72	1,071
At 31 July 2018	<u>1,291</u>	<u>1,018</u>	<u>157</u>	<u>2,466</u>
Net book value				
At 31 July 2018	<u>454</u>	<u>730</u>	<u>204</u>	<u>1,388</u>
Cost				
At 1 August 2018	1,745	1,748	361	3,854
Additions	1,080	103	–	1,183
Additions through acquisition of a subsidiary (<i>Note 28</i>)	1,236	893	–	2,129
Deregistration of a subsidiary (<i>Note 26(i)</i>)	(26)	(12)	–	(38)
Exchange realignment	11	5	–	16
At 31 July 2019	<u>4,046</u>	<u>2,737</u>	<u>361</u>	<u>7,144</u>
Accumulated depreciation				
At 1 August 2018	1,291	1,018	157	2,466
Charge for the year (<i>Note 8</i>)	1,075	459	72	1,606
Deregistration of a subsidiary (<i>Note 26(i)</i>)	(11)	(7)	–	(18)
Exchange realignment	2	1	–	3
At 31 July 2019	<u>2,357</u>	<u>1,471</u>	<u>229</u>	<u>4,057</u>
Net book value				
At 31 July 2019	<u>1,689</u>	<u>1,266</u>	<u>132</u>	<u>3,087</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

14. GOODWILL

	2019 HK\$'000	2018 HK\$'000
As at 1 August	-	-
Arising on acquisition of a subsidiary (<i>Note 28</i>)	230	-
As at 31 July	230	-

Goodwill is arising from the acquisition of ZSGT (as defined in note 26) during the year, which has been allocated to property sub-leasing and management service business. The goodwill recognised is not expected to be deductible for income tax purpose.

Upon completion of the acquisition of ZSGT, the directors of the Company have engaged an independent firm of valuer to carry out a valuation of the subsidiary acquired, based on facts and circumstances existing as at that date.

The recoverable amount of such CGU as at 31 July 2019 based on a value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the projection period are extrapolated using an estimated growth rate of 2%. The pre-tax rate used to discount the forecast cash flows is 16.44%. Based on the assessment, no impairment loss was recognised during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

15. INTANGIBLE ASSETS

	Intangible assets related to lease contracts acquired in a business combination HK\$'000
Cost	
At 1 August 2017 and 31 July 2018	—
Accumulated amortisation	
At 1 August 2017 and 31 July 2018	—
Net book value	
At 31 July 2018	—
Cost	
At 1 August 2018	—
Additions through acquisition of a subsidiary (<i>Note 28</i>)	1,140
Exchange realignment	6
At 31 July 2019	1,146
Accumulated amortisation	
At 1 August 2018	—
Amortisation for the year (<i>Note 8</i>)	264
At 31 July 2019	264
Net book value	
At 31 July 2019	882

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

15. INTANGIBLE ASSETS – *continued*

The above intangible assets related to lease contracts acquired have finite useful lives. Such intangible assets are amortised on a straight-line basis over the remaining life of the lease contracts.

In the opinion of the directors of the Company, there is no impairment indication identified in the property sub-leasing and management service CGU as at 31 July 2019. There is no impairment of intangibles assets in respects of this CGU as at 31 July 2019.

16. TRADE RECEIVABLES AND CONTRACT ASSETS

	At 31 July 2019 HK\$'000	At 1 Aug 2018* HK\$'000	At 31 July 2018 HK\$'000
Trade receivables (<i>Note (a)</i>)	21,953	9,615	9,615
Retention receivables	–	–	336
Less: Allowance for credit losses (<i>Note 32(ii)</i>)	(875)	(169)	–
	<u>21,078</u>	<u>9,446</u>	<u>9,951</u>
Contract assets (<i>Note (b)</i>)	18,441	3,443	–
Less: Allowance for credit losses (<i>note 32(ii)</i>)	(107)	(2)	–
	<u>18,334</u>	<u>3,441</u>	<u>–</u>
Total	<u><u>39,412</u></u>	<u><u>12,887</u></u>	<u><u>9,951</u></u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

16. TRADE RECEIVABLES AND CONTRACT ASSETS – *continued*

Notes:

(a) Trade receivables

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

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

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

Trade receivables that were past due but not impaired related to customers that had been the Group's customers under contracting and interior design and decoration work services for more than 1 year and had a good track record of credit with the Group with no history of default in the past. Details of impairment assessment of trade receivables as at 31 July 2019 are set out in note 32(ii).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

16. TRADE RECEIVABLES AND CONTRACT ASSETS – *continued*

Notes: – continued

(b) Contract assets

	At 31 July 2019 HK\$'000	At 1 August 2018 HK\$'000	At 31 July 2018 HK\$'000
Contracting services	336	2,469	–
Interior design and decoration work services	17,998	972	–
	<u>18,334</u>	<u>3,441</u>	<u>–</u>

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

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

Details of impairment assessment of contract assets as at 31 July 2019 are set out in note 32(ii).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

17. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2019 HK\$'000	2018 HK\$'000
Amounts due from customers for contract work		
Contract costs incurred plus recognised profits		
less recognised losses	–	15,341
Less: Progress billings	–	(12,234)
	–	3,107
Amounts due to customers for contract work		
Contract costs incurred plus recognised profits		
less recognised losses	–	–
Less: Progress billings	–	(4)
	–	(4)

At 31 July 2018, advances received from customers for contract work amounted to approximately HK\$866,000, which was included in trade and other payables in note 20.

18. PREPAYMENTS, DEPOSITS PAID AND OTHER RECEIVABLES

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

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

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

Notes:

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

19. CASH AND CASH EQUIVALENTS

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

Notes:

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

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

- (b) Cash at banks and bank deposit earn interest at floating rates based on daily bank deposit rates.
- (c) Details of impairment assessment as at 31 July 2019 are set out in note 32(ii).
- (d) As at 31 July 2019, included in cash and cash equivalents of the Group is approximately HK\$28,120,000 (2018: nil) of cash at banks and bank deposit denominated in RMB placed with the banks in the PRC. RMB is not a freely convertible currency; however, under the PRC’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through the banks authorised to conduct foreign exchange business in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

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

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

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

Notes:

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

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

Notes: – continued

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

Movements in contract liabilities

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

21. DEFERRED TAX

The components of deferred tax recognised in the consolidated statement of financial position and the movement during the year are as follows:

	Fair value arising from business combination HK\$'000
At as 1 August 2018	–
Additions through acquisition of a subsidiary (<i>Note 28</i>)	285
Credited to consolidated profit or loss (<i>Note 10</i>)	(66)
Exchange realignment	1
	<hr/>
At 31 July 2019	220
	<hr/> <hr/>

Note:

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to approximately HK\$4,220,000 (2018: nil) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

22. 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 2017, 31 July 2018, 1 August 2018 and 31 July 2019	<hr/> <hr/> 2,000,000	<hr/> <hr/> 20,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

22. SHARE CAPITAL – *continued*

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

23. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 19 November 2014 as to attract and retain the best available personnel and to provide additional incentive to the eligible participants under the Scheme.

Under the Scheme, the directors of the Company may at their absolute discretion and subject to the terms of the Scheme, grant options to any employees (full-time or part-time), directors, substantial shareholders, consultants or advisors, distributors, contractors, suppliers, agents, customers, business partners or service provider of the Group, to subscribe for shares of the Company. The eligibility of any participants to the grant of any options shall be determined by the directors of the Company from time to time on the basis of participant's contribution or potential contribution to the development and growth of the Group.

Under the Scheme, the maximum number of shares issuable upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company as from the adoption date must not in aggregate exceed 10% of all the shares in issue upon the date on which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at any time by obtaining approval of the Company's shareholders in general meeting provided that the total number of Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share options schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit. The aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share options schemes of the Company if this will result in the limit being exceeded.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

23. SHARE OPTION SCHEME – *continued*

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) under the Scheme or any other share option schemes of the Company in any 12-month period up to date of grant shall not exceed 1% of the shares of the Company in issue. Where any further grant of options to a participant under the Scheme would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such participant and his/her close associates abstaining from voting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective close associates must be approved by the independent non-executive directors of the Company (excluding any independent non-executive director who is the grantee). Where any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective close associates would result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the Scheme and any other share option schemes of the Company to such person in any 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the shares of the Company in issue and having an aggregate value in excess of HK\$5,000,000 must be approved by the Company's shareholders at the general meeting of the Company, with voting to be taken by way of poll.

The offer of a grant of share options might be accepted in writing within 7 days from the date of the offer. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the directors may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option with a remittance in favour of the Company within such time as may be specified in the offer (which shall not be later than 7 days from the date of the offer).

The subscription price shall be a price solely determined by the board of directors of the Company and notified to a participant and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the offer date; and (iii) the nominal value of the Company's share on the offer date.

The Scheme shall be valid and effective for a period of ten years commencing on 19 November 2014, subject to early termination provisions contained in the Scheme.

No share options were granted since the adoption of the Scheme and there were no share option outstanding as at 31 July 2019 (2018: No).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

24. RESERVES

Share premium

Share premium account of the Group includes the premium arising from issue of shares of the Company at a premium.

Other reserves

(i) *Merger reserve*

Merger reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the share capital of its subsidiaries arising from the group reorganisation.

(ii) *Exchange fluctuation reserve*

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4.13.

(iii) *Statutory reserve*

In accordance with the relevant PRC regulations, the Group's PRC subsidiaries are required, at the discretion of their directors, to appropriate a certain percentage of their profit after tax, if any, to the statutory reserve fund for the future development and capital expenditure on staff welfare facilities purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

24. RESERVES – continued

	Merger reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Statutory reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 August 2017	(494)	–	–	67,850	67,356
Loss and total comprehensive loss for the year	–	–	–	(14,651)	(14,651)
At 31 July 2018 as previously reported	(494)	–	–	53,199	52,705
Impact on initial application of HKFRS 9 (Note 3.2(ii))	–	–	–	(413)	(413)
Adjusted balance at 1 August 2018	(494)	–	–	52,786	52,292
Loss for the year	–	–	–	(7,051)	(7,051)
Other comprehensive income for the year					
Exchange differences on translation of financial statements of foreign operations	–	88	–	–	88
Total comprehensive income/(loss) for the year	–	88	–	(7,051)	(6,963)
Transfer to other reserve	–	–	430	(430)	–
At 31 July 2019	(494)	88	430	45,305	45,329

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

25. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of loss before income tax to net cash generated from/(used in) operations:

	2019 HK\$'000	2018 HK\$'000
Loss before income tax	(1,209)	(18,183)
Adjustments for:		
Amortisation	264	–
Depreciation	1,606	1,071
Fair value changes on financial assets at fair value through profit or loss	–	2,915
Impairment loss allowance of trade receivables and contract assets	811	17
Gain on disposal of subsidiaries	(73)	(2,972)
Reversal of impairment loss upon settlement of deposits paid and other receivables	(954)	–
Reversal of write-off of trade receivables	(300)	–
Loss on deregistration of a subsidiary	12	–
Interest income	(64)	(4)
Loan interest income	–	(1,619)
	<hr/>	<hr/>
Operating profit/(loss) before working capital changes	93	(18,775)
Increase in contract assets	(14,998)	–
Increase in trade receivables	(11,802)	(4,578)
(Increase)/decrease in prepayment, deposits paid and other receivables	(11,726)	1,371
Increase in amounts due from customers for contract work	–	(2)
Decrease in financial assets at fair value through profit or loss	–	14,605
Increase in trade and other payables and deposits received	46,244	3,284
Increase in contract liabilities	522	–
Decrease in amounts due to customers for contract work	–	(164)
	<hr/>	<hr/>
Net cash generated from/(used in) operations	<u>8,333</u>	<u>(4,259)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

25. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS – *continued*

(b) Reconciliation of liabilities from financing activities

The table below details changes in the Group's major liabilities from financing activities, including both cash and non-cash changes, if any.

	Amount due to a related party included in trade and other payables <i>(Note 20(b))</i> HK\$'000
At 31 July 2017 and 31 July 2018	—
Changes from financing activities:	
Advance from a related party	1,000
Total changes from financing cash flows	1,000
At 31 July 2019	1,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

26. SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 July 2019 and 2018:

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Issued and paid up share capital	Percentage of ownership interest held (directly and indirectly) by the Company as at 31 July	
				2019	2018
Directly held					
KSL Enterprises Limited ("KSL Enterprises")	BVI, limited liability company	Investment holding in Hong Kong	Unit States Dollars ("US\$") ¹	100%	100%
Focus Business Consultants Investment Limited	BVI, limited liability company	Investment holding in Hong Kong	US\$100	100%	100%
Fortune Around Limited	BVI, limited liability company	Investment holding in Hong Kong	US\$1	100%	100%
Upscale Century Limited	BVI, limited liability company	Investment holding in Hong Kong	US\$1	100%	100%
Indirectly held					
New Brio Associates Limited	Hong Kong, limited liability company	Provision of engineering consulting services in Hong Kong	HK\$10,000	100%	100%
KSL Engineering Limited	Hong Kong, limited liability company	Provision of contracting and project management services in Hong Kong	HK\$10,000	100%	100%
Sky Planner Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	HK\$1	100%	100%
Focus Business Consultants Limited ("Focus Business") (Note (i))	Hong Kong, limited liability company	Provision of financial public relations services in Hong Kong	HK\$1,000,000	–	60%
Harbour Gain Development Limited	Hong Kong, limited liability company	Investment holding in PRC	HK\$1	100%	100%
Holy Charm Limited	Hong Kong, limited liability company	Provision of administrative and management services in Hong Kong	HK\$1	100%	100%
New Brio Engineering Limited ("NBE") (Note (iii))	Hong Kong, limited liability company	Provision of interior design and decoration services in Hong Kong	HK\$1,000,000	51%	51%
Harvest Group Holdings Limited ("Harvest Group") (Note (iii))	Republic of Seychelles, limited liability company	Investment holding in Hong Kong	USD1,000	–	51%
Harvest Planning and Design Limited (Note (iii))	Hong Kong, limited liability company	Provision of interior design and decoration services in Hong Kong	HK\$10,000	–	51%
Shenzhen Zhongshengtuotou Assets Management Company Limited [#] (深圳中深國投資產管理有限公司) ("ZSGT") (Note 28)	PRC, limited liability company	Provision of interior design and decoration services and property sub-leasing in the PRC	RMB10,000,000	100%	–

[#] For identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

26. SUBSIDIARIES – continued

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

Notes:

- (i) Focus Business has commenced the process for its de-registration during the year and the deregistration was completed on 4 January 2019, resulting in loss on deregistration of a subsidiary of approximately HK\$12,000 for the year ended 31 July 2019.

	HK\$'000
Net assets/liabilities disposed of:	
Property, plant and equipment (<i>Note 13</i>)	20
Non-controlling interests at the date of deregistration	<u>(8)</u>
Loss on deregistration of a subsidiary (<i>Note 8</i>)	<u><u>12</u></u>

There was no net inflow/outflow of cash and cash equivalents in respect of the deregistration of a subsidiary during the year.

- (ii) During the year ended 31 July 2019, the Group disposed of all equity interest in Harvest Group, a 51% indirectly owned subsidiary that is an investment holding company in Hong Kong, and together with all eight Harvest Group's subsidiaries, all of which were 100% wholly-owned subsidiaries and were engaged in provision of interior design and decoration services in Hong Kong, for the consideration of HK\$7,000. The disposal was completed on 12 October 2018, and since then, the Group has no equity interest in and control over Harvest Group. Gain on disposal of subsidiaries of approximately HK\$73,000 was recognised as other income and gains in the consolidated income statement (Notes 7 and 27). Harvest Group and its' subsidiaries have material non-controlling interests ("NCI") before the disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

26. SUBSIDIARIES – continued

Notes: – continued

(ii) – continued

Summarised financial information of the Harvest Group and its' subsidiaries before the disposal during the year, before intra-group eliminations, is presented below:

	Harvest Group and its subsidiaries	
	2019 HK\$'000	2018 HK\$'000
NCI percentage	49%	49%
As at disposal date/31 July		
Current assets	203	1,619
Amount due to a fellow subsidiary	–	(55)
Amount due to immediate holding company	–	(7,009)
Amount due to ultimate holding company	–	(100)
Other current liabilities	(300)	(485)
Net liabilities	<u>(97)</u>	<u>(6,030)</u>
For the period up to disposal date/year ended 31 July		
Revenue	–	1,540
Profit/(loss) before income tax [#]	5,965	(4,283)
Income tax expense	–	–
Other comprehensive income	–	–
Total comprehensive income/(loss)	<u>5,965</u>	<u>(4,283)</u>
Total comprehensive income/(loss) allocated to NCI	<u>2,923</u>	<u>(2,098)</u>
Cash flows from operating activities	804	(1,569)
Cash flows from investing activities	(1,012)	44
Cash flows from financing activities	–	–
Net cash outflows	<u>(208)</u>	<u>(1,525)</u>

[#] The profit before income tax of Harvest Group and its' subsidiaries for the period ended 12 October 2018 was primarily contributed by the gain on waiver of the amount due to a company of the Group of approximately HK\$6,098,000 before the completion of disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

26. SUBSIDIARIES – continued

Notes: – continued

- (iii) NBE, a 51% owned subsidiary of the Company, have material NCI. Summarised financial information in relation to NBE for the year, before intra-group eliminations, is presented below:

	NBE	
	2019 HK\$'000	2018 HK\$'000
NCI percentage	49%	49%
As at 31 July		
Non-current assets	421	937
Current assets	45,643	17,200
Current liabilities	(47,824)	(20,040)
Net liabilities	<u>(1,760)</u>	<u>(1,903)</u>
For the year ended 31 July		
Revenue	<u>44,338</u>	<u>34,626</u>
Profit/(loss) before income tax	313	(3,387)
Income tax expense	–	–
Other comprehensive income	–	–
Total comprehensive income/(loss)	<u>313</u>	<u>(3,387)</u>
Total comprehensive income/(loss) allocated to NCI	<u>153</u>	<u>(1,659)</u>
Cash flows from operating activities	(5,979)	335
Cash flows from investing activities	(55)	(79)
Cash flows from financing activities	4,390	–
Net cash (outflows)/inflows	<u>(1,644)</u>	<u>256</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

27. DISPOSAL OF SUBSIDIARIES

The disposal of Harvest Group and its subsidiaries was completed on 12 October 2018. Upon completion, Harvest Group and its subsidiaries ceased to be subsidiaries of the Company and consolidated results, assets and liabilities of Harvest Group and its subsidiaries were ceased to be consolidated with those of the Group.

	HK\$'000
Trade receivables	197
Prepayments, deposits paid and other receivables	1
Cash and cash equivalents	5
Trade payables and other payables	<u>(300)</u>
Net liabilities disposed of	(97)
NCI at the date of disposal	31
Gain on disposal of subsidiaries (<i>Note 7</i>)	<u>73</u>
Total cash consideration received	<u><u>7</u></u>
Net cash inflow arising on disposal:	
Cash consideration	7
Cash and cash equivalents disposed of	<u>(5)</u>
	<u><u>2</u></u>

28. ACQUISITION OF A SUBSIDIARY

Pursuant to the equity transfer agreement (the “**Agreement**”) dated 17 September 2018 entered into between the Company and an independent third party to acquire all the equity interest in ZSGT (the “**Acquisition**”) at an aggregate cash consideration of approximately HK\$11,648,000.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

28. ACQUISITION OF A SUBSIDIARY – continued

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

	As at 8 November 2018 HK\$'000
Fair value of assets acquired and liabilities assumed at the date of the Acquisition are as follows:	
Property, plant and equipment (<i>Notes (a) and 13</i>)	2,129
Intangible assets (<i>Notes (a) and 15</i>)	1,140
Trade receivables	433
Prepayments, deposits paid and other receivables (<i>Note (b)</i>)	17,322
Cash and cash equivalents	2,197
Trade payables	(65)
Other payables and accruals and deposits received	(11,453)
Deferred tax liabilities (<i>Note 21</i>)	(285)
	<hr/>
Total identifiable net assets at fair value	11,418
Goodwill (<i>Notes (c) and 14</i>)	230
	<hr/>
	11,648
	<hr/> <hr/>
Cash consideration	11,648
Bank balances and cash in subsidiary acquired	(2,197)
	<hr/>
Net cash outflow on the Acquisition	9,451
	<hr/> <hr/>
Acquisition-related costs (included in administrative and other operating expenses)	120
	<hr/> <hr/>

Notes:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

28. ACQUISITION OF A SUBSIDIARY – continued

Notes: – continued

- (b) The gross contractual undiscounted balance of prepayments, deposits paid and other receivables amounted to approximately HK\$18,273,000. The fair value of these deposits and other receivable at the acquisition date were estimated to be approximately HK\$17,322,000 based on an assessment of the expected credit risks of the balances, which were determined based on the estimated credit risk of the debtors, over the expected list of the debtors and are adjusted for forward-looking information that was available without undue cost or effort.
- (c) Goodwill was arisen from a number of factors including the expected fast growing property sub-leasing business in PRC. These benefits were not recognised separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.
- (d) The acquired business contributed revenue of approximately HK\$58,827,000 and net profit of approximately HK\$4,965,000 for the period from 8 November 2018 to 31 July 2019. If the Acquisition had occurred on 1 August 2018, consolidated revenue and consolidated loss for the year ended 31 July 2019 would have been approximately HK\$112,870,000 and approximately HK\$2,442,000 respectively.

29. COMMITMENTS

(a) Operating lease commitments – Group as lessee

The Group leases certain of the office properties, office equipment and commercial properties (see (b) below) under operating lease arrangements. Leases for the properties are negotiated for terms ranging from 6 months to 10 years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2019 HK\$'000	2018 HK\$'000
Within one year	65,828	3,173
In the second to fifth years, inclusive	144,590	1,662
After five years	17,616	–
	<u>228,034</u>	<u>4,835</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

29. COMMITMENTS – *continued*

(b) Sub-leasing arrangements

The Group commenced its property sub-leasing business through its subsidiary ZSGT by refurbishing and sub-leasing the properties leased from independent third parties to external tenants.

Sublease payments to be received

Arrangement for sub-leasing to external tenants are negotiated for terms ranging from 1 to 10 years. As at the end of the reporting period, the Group had total future minimum sublease payments expected to be received under non-cancellable sub-leasing arrangements with its tenants falling due as follows:

	2019 HK\$'000	2018 HK\$'000
Within one year	61,615	–
In the second to fifth years, inclusive	97,469	–
After five years	9,583	–
	<u>168,667</u>	<u>–</u>

30. RELATED PARTY TRANSACTIONS

- (a) The Group did not have any significant related party transaction with related parties during the year, except for the management fee income of approximately HK\$480,000 (2018: nil) derived from Mr. Lin Ye, a director and shareholder of the Company as disclosed in notes 7 and 18.
- (b) Details of amount advanced from Mr. Yeung Wing Yan, who was a director of the subsidiary of the Company and he has been also appointed as a chief operating officer of the Company on 11 June 2019, are disclosed in note 20.
- (c) The emoluments of the directors and senior executives (representing the key management personnel) during the year are disclosed in note 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

31. FINANCIAL INSTRUMENTS BY CATEGORY

	2019 HK\$'000	2018 HK\$'000
Financial assets		
<i>Financial assets measured at amortised cost (2018: loans and receivables)</i>		
- Trade receivables	21,078	9,615
- Retention receivables	-	336
- Deposits paid and other receivables	20,233	2,832
- Cash and cash equivalents	65,518	66,584
	<u>106,829</u>	<u>79,367</u>
Financial liabilities		
<i>Financial liabilities at amortised cost</i>		
- Trade and other payables and deposits received	59,332	6,890
	<u>59,332</u>	<u>6,890</u>

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, and liquidity risk. The risks associated with financial instruments and the policies on how to mitigate these risks are described below.

Management monitors closely the Group's exposures to financial risks to ensure that appropriate measures are implemented in a timely and effective manner.

(i) Interest rate risk

Other than bank deposit and bank balances with variable interest rate, the Group has no other significant interest-bearing assets with variable interest rate. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposit and bank balances are not expected to change significantly.

The Group had no variable-rate borrowings as at 31 July 2018 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

(ii) Credit risk and impairment assessment

Risk management

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The Group does not hold any collateral over these receivable balances.

The Group's exposure to credit risk mainly arising from the following assets, which comprise trade receivables, contract assets, financial assets included in deposits paid and other receivables, and cash and cash equivalents, with a maximum exposure equal to the carrying amounts of these assets.

The credit risk on cash and cash equivalents is limited because the Group's bank deposit and bank balances are all deposited with major banks located in Hong Kong and the PRC with high credit ratings assigned by international credit-rating agencies and PRC stated-owned banks with good reputation.

There are no significant concentrations of credit risk within the Group as the customer base of the Group is widely diversified.

Impairment of financial assets

The Group has two types of financial assets that are subject to the expected credit loss model:

- trade receivables and contract assets arising from contracts with customers; and
- deposits paid and other receivables.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

(ii) Credit risk and impairment assessment – *continued*

Impairment of financial assets – continued

Trade receivables and contract assets

Impairment of financial assets, trade receivables and contract assets arising from contracts with customers are subject to the ECL model.

The Group applies HKFRS 9 and measures ECL based on a lifetime expected loss allowance for all trade receivables and contract assets.

The Group uses provision matrix to calculate ECL for trade receivables and contract assets. To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to work completed but not billed at the reporting date and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The estimated ECL loss rates are estimated based on the Group's historical settlement experience of various groups of debtors that have similar loss patterns and are adjusted forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated. The Group has identified the gross domestic product in Hong Kong and the PRC to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

(ii) Credit risk and impairment assessment – continued

Impairment of financial assets – continued

Trade receivables and contract assets – continued

On that basis, the loss allowance as at 31 July 2019 and 1 August 2018 (on adoption of HKFRS 9) was determined as follows for trade receivables:

	Expected loss rate	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net carrying amount HK\$'000
Ageing based on the invoice date				
As at 31 July 2019				
0 – 30 days	0.9%	7,096	(64)	7,032
31 – 60 days	1.0%	2,181	(21)	2,160
61 – 90 days	0.7%	600	(4)	596
91 – 365 days	4.0%	5,787	(234)	5,553
Over 365 days	8.8%	6,289	(552)	5,737
		<u>21,953</u>	<u>(875)</u>	<u>21,078</u>

Ageing based on the invoice date

As at 1 August 2018

0 – 30 days	0.1%	7,627	(9)	7,618
31 – 60 days	0.0%	2	–	2
61 – 90 days	2.0%	1,171	(24)	1,147
91 – 365 days	8.5%	715	(61)	654
Over 365 days	75.0%	100	(75)	25
		<u>9,615</u>	<u>(169)</u>	<u>9,446</u>

Increase in loss allowance during the year is due to increase in gross carrying amount of trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

(ii) Credit risk and impairment assessment – *continued*

Impairment of financial assets – continued

Trade receivables and contract assets – *continued*

On that basis, the loss allowance as at 31 July 2019 and 1 August 2018 (on adoption of HKFRS 9) was determined as follows for contract assets:

	Expected loss rate	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net carrying amount HK\$'000
As at 31 July 2019	0.6%	<u>18,441</u>	<u>(107)</u>	<u>18,334</u>
As at 1 August 2018	0.1%	<u>3,443</u>	<u>(2)</u>	<u>3,441</u>

The closing loss allowances for trade receivables and contract assets as at 31 July 2018 reconcile to the opening loss allowances on 1 August 2018 and to the closing loss allowance as at 31 July 2019 as follows:

	Trade receivables HK\$'000	Contract assets HK\$'000
At 31 July 2018 – calculated under HKAS 39	–	–
Effect on adoption of HKFRS 9 (<i>Note 3.2(i)</i>)	<u>169</u>	<u>2</u>
At 1 August 2018 under HKFRS 9	169	2
Increase in loss allowance recognised in profit or loss during the year	<u>706</u>	<u>105</u>
At 31 July 2019	<u>875</u>	<u>107</u>

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

(ii) Credit risk and impairment assessment – *continued*

Impairment of financial assets – continued

Trade receivables and contract assets – *continued*

Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 1 year past due.

Credit loss allowance on trade receivables and contract assets are included in impairment loss allowance on trade receivables and contract assets under the consolidated statement of profit or loss and other comprehensive income. Subsequent recoveries of amounts previously written off are credited against the same line item.

	HK\$'000
At 1 August 2017	–
Impairment losses recognised, net	17
Written off	<u>(17)</u>
At 31 July 2018	<u>–</u>

At 31 July 2018, trade receivables of approximately HK\$17,000 were individually determined to be impaired. The individually impaired trade receivables was related to long overdue amounts and management assessed that the trade receivable is expected to be uncollectible. Consequently, the trade receivables of approximately HK\$17,000 for which an impairment provision was recognised were written off against the provision.

Other financial assets at amortised cost

ECL for other financial assets at amortised cost, including deposits paid and other receivables, are assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

(ii) Credit risk and impairment assessment – *continued*

Impairment of financial assets – continued

Other financial assets at amortised cost – continued

In order to minimise the credit risk on deposits paid and other receivables, the management of the Group closely monitor the follow-up action taken to recover any receivable balances outstanding over 180 days. In addition, the Group monitors subsequent settlement of each of the receivables to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on other balances individually. In this regard, the directors of the Company consider that the Group's credit risk on the deposits paid and other receivables is significantly reduced.

The loss allowance for other financial assets at amortised cost as at 31 July 2019 reconciles to the opening loss allowance on 1 August 2018 and to the closing loss allowance as at 31 July 2019 as follows:

	Deposits and other receivables HK\$'000
At 31 July 2018 – calculated under HKAS 39	–
Effect on adoption of HKFRS 9 (<i>Note 3.2(i)</i>)	326
	<hr/>
At 1 August 2018 under HKFRS 9	326
Additions through acquisition of a subsidiary	951
Reversal of impairment loss upon settlement of deposits and other receivables	(954)
Exchange realignment	3
	<hr/>
At 31 July 2019	<u>326</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

(iii) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and long term. Management believes there is no significant liquidity risk as the Group has sufficient reserves of cash and cash equivalents to fund their operations.

The following table details the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Group may be required to pay:

	On demand or within one year HK\$'000	Between one and two years HK\$'000	Between two and five years HK\$'000	Over five years HK\$'000	Total undiscounted amount HK\$'000	Discount HK\$'000	Total HK\$'000
As at 31 July 2019							
Trade and other payables and deposits received	46,635	2,276	9,665	756	59,332	-	59,332
As at 31 July 2018							
Trade and other payables	6,890	-	-	-	6,890	-	6,890

Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operation and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of equity attributable to equity shareholders of the Company, comprising share capital and reserves, net of cash and cash equivalents, as disclosed in notes 19, 22 and 24, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

Capital management – *continued*

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group actively monitors, reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with certain levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Fair value measurement

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

33. COMPARATIVE AMOUNTS

Impairment loss allowance on trade receivables and contract assets, which were previously included in administrative and other operating expenses in the consolidated statement of profit or loss and other comprehensive income, was re-presented as a separate line item in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 July 2019, in order to conform with the current year's presentation and disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

34. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2019 HK\$'000	2018 HK\$'000
Non-current assets		
Investments in subsidiaries	42,790	42,790
Current assets		
Other receivables	544	207
Amount due from a director	480	–
Amounts due from subsidiaries	3,192	42,991
	<u>4,216</u>	<u>43,198</u>
Current liabilities		
Other payables	932	1,172
Amounts due to subsidiaries	31,529	23,767
	<u>32,461</u>	<u>24,939</u>
Net current (liabilities)/assets	<u>(28,245)</u>	<u>18,259</u>
Net assets	<u>14,545</u>	<u>61,049</u>
Equity		
Share capital	4,112	4,112
Reserves (Note 34(b))	10,433	56,937
Total equity	<u>14,545</u>	<u>61,049</u>

The statement of financial position of the Company was approved and authorised for issue by the Board of Directors on 10 October 2019 and signed on its behalf by:

Mr. Yuan Shuang Shun
Director

Mr. Au Siu Chung
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

34. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY – continued

(b) Reserves movement of the Company

	Share premium HK\$'000	Special reserve HK\$'000	Accumulated losses HK\$'000 <i>(Note)</i>	Total HK\$'000
At 1 August 2017	24,394	42,276	(5,723)	60,947
Loss and total comprehensive loss for the year	–	–	(4,010)	(4,010)
At 31 July 2018 and 1 August 2018	24,394	42,276	(9,733)	56,937
Loss and total comprehensive loss for the year	–	–	(46,504)	(46,504)
At 31 July 2019	24,394	42,276	(56,237)	10,433

Note: Special reserve represents the difference between the fair value of the shares of KSL Enterprises acquired pursuant to the reorganisation on 19 November 2014 over the nominal value of the Company's share issued in exchange therefore.

FINANCIAL SUMMARY

For the year ended 31 July 2019

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements is as follows:

	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue	103,165	37,240	47,399	124,799	154,503
Cost of sales	(85,489)	(33,622)	(33,940)	(92,435)	(100,935)
Gross profit	17,676	3,618	13,459	32,364	53,568
Other income and net gains	2,738	4,784	3,058	3,726	1,759
Fair value changes on financial assets at fair value through profit or loss	-	(2,915)	(1,749)	-	-
Administrative and other operating expenses	(20,812)	(23,653)	(25,953)	(18,219)	(18,391)
Impairment loss allowance on trade receivables and contract assets	(811)	(17)	(646)	-	-
Operating (loss)/profit	(1,209)	(18,183)	(11,831)	17,871	36,936
Finance costs	-	-	-	(3)	(53)
(Loss)/profit before income tax	(1,209)	(18,183)	(11,831)	17,868	36,883
Income tax expense	(2,442)	(490)	(578)	(3,198)	(6,948)
(Loss)/profit for the year	<u>(3,651)</u>	<u>(18,673)</u>	<u>(12,409)</u>	<u>14,670</u>	<u>29,935</u>
Other comprehensive income					
<i>Items that will not be subsequently reclassified to profit or loss:</i>					
Gain on revaluation of properties upon transfer to investment properties	-	-	-	-	4,360
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translation of financial statements of foreign operations	88	-	-	-	-
Other comprehensive income for the year	<u>88</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,360</u>
Total comprehensive (loss)/income for the year	<u>(3,563)</u>	<u>(18,673)</u>	<u>(12,409)</u>	<u>14,670</u>	<u>34,295</u>
(Loss)/profit attributable to:					
Owners of the Company	(7,051)	(14,651)	(11,387)	14,722	29,935
Non-controlling interests	3,400	(4,022)	(1,022)	(52)	-
(Loss)/profit for the year	<u>(3,651)</u>	<u>(18,673)</u>	<u>(12,409)</u>	<u>14,670</u>	<u>29,935</u>
Total comprehensive (loss)/income attributable to:					
Owners of the Company	(6,963)	(14,651)	(11,387)	14,722	34,295
Non-controlling interests	3,400	(4,022)	(1,022)	(52)	-
Total comprehensive (loss)/income	<u>(3,563)</u>	<u>(18,673)</u>	<u>(12,409)</u>	<u>14,670</u>	<u>34,295</u>
Assets and liabilities					
Total assets	141,946	85,562	100,625	121,171	115,887
Total liabilities	(68,974)	(8,553)	(4,943)	(13,480)	(23,360)
Net assets	<u>72,972</u>	<u>77,009</u>	<u>95,682</u>	<u>107,691</u>	<u>92,527</u>
Equity attributable to owners of the Company	<u>73,835</u>	<u>81,211</u>	<u>95,862</u>	<u>107,249</u>	<u>92,527</u>
Non-controlling interests	<u>(863)</u>	<u>(4,202)</u>	<u>(180)</u>	<u>442</u>	<u>-</u>