CHINA ALL NATION INTERNATIONAL HOLDINGS GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8170

2019/20

ANNUAL REPORT

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CONTENTS

BOARD OF DIRECTORS

Executive Directors:
Mr. Lin Ye *(Chairman)*
Mr. Au Siu Chung *(Compliance Officer)*
Mr. Yuan Shuang Shun
Ms. Xiao Yi Liao Ge
Mr. Long Jie (resigned with effect from 1 May 2020)

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
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INDEPENDENT AUDITOR

Moore Stephens CPA Limited
Public Interest Entity Auditor registered in accordance with Financial Reporting Council Ordinance

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COMPANY WEBSITE

www.allnationinternational.com
(information of this website does not form part of this report)

STOCK CODE

08170

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 2020.

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 year. 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 in the second half of the year ended 31 July 2019.

The past year was an important year for the Group as it experienced a dramatic improvement in its businesses. During the year ended 31 July 2020, the Group's total revenue has materially increased by 82.6% to approximately HK$188.4 million which was mainly due to the increase in revenue of the Group's interior design and decoration business to approximately HK$92.8 million and increase in revenue of the Group's property sub-leasing and management business in the PRC to approximately HK$85.2 million. The business of the Group recorded a profit of approximately HK$11.8 million for the year ended 31 July 2020, which represented a turnaround from a loss of approximately HK$3.7 million for the year ended 31 July 2019.

Looking ahead, the Group will continue upholding the current development strategy and expand the business horizon. The Group will endeavor to increase the efforts in expanding its existing businesses and the management team are dedicated to devote their effort in the coming years to create greater value for the Company and its shareholders.

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, 28 September 2020

BUSINESS REVIEW AND OUTLOOK

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of civil engineering consulting and contracting services in Hong Kong, property sub-leasing and management business in the People's Republic of China ("**PRC**") and interior design services and decoration works in both Hong Kong and the PRC.

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

1. Sub-leasing business segment

To expand the Group's business to the PRC and to secure an additional stable source of revenue, the Group completed its acquisition of 100% equity interest in ZSGT, a company established in the PRC with limited liability, on 8 November 2018.

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

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

(a) Sub-leasing of premises

Overview

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

* *For identification purpose only*

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

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

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

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

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

Business flow

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

1	2	3	4
Sourcing of property	Sub-leasing planning and renovation	Sourcing of sub-tenants	Value-adding services

Step 1: Sourcing of property

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

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

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

Step 2: Sub-leasing planning and renovation

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

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

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

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

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

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

Step 3: Sourcing of sub-tenants

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

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

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

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

Step 4: Value-adding services

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

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

Scope of service

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

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

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

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

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

- Consultation and execution on the regulatory requirement of fire control

  The Group will leverage its experiences and liaise with the landlords and the relevant regulatory bodies for the fulfilment of fire control regulatory requirements, which is crucial and normally time-consuming before the sub-tenants is able to move into the premises. The Group will also seek advice from Mr. Wang Xuebing ("**Mr. Wang**"), being the special assistant to the chairman of the Board and a retired deputy director of the Public Security (Fire Services) Bureau of Shenzhen, the PRC.

- Security

  The Group provides security and reception service, including 24/7 CCTV monitoring in the Group's sub-leased properties.

- Company secretarial services

  The Group provides general company secretarial services to its sub-tenants, including (i) assistance on compiling regulatory filings; and (ii) book-keeping of all relevant filings and company seal. In view of the targeted sub-tenants being start-up business and small-to-medium enterprises, such services were overwhelmingly accepted by the sub-tenants because this can reduce costs and foster the business development of sub-tenants.

- General consultation and assistance on corporate registration tax and employment benefits matters

  The Group provides consultation services and administrative assistance to its sub-tenants, who are primarily start-ups and small-to-medium businesses, on general taxation and employment benefits matters. The Group has assigned a customer service officer to each of the sub-tenants, who is responsible for the provision of personalised consultation. Sub-tenants are benefited from a reduction of labour costs by leveraging on the Group's services.

- Liaison on administrative matters

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

(b) Sub-leasing management

Overview

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

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

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

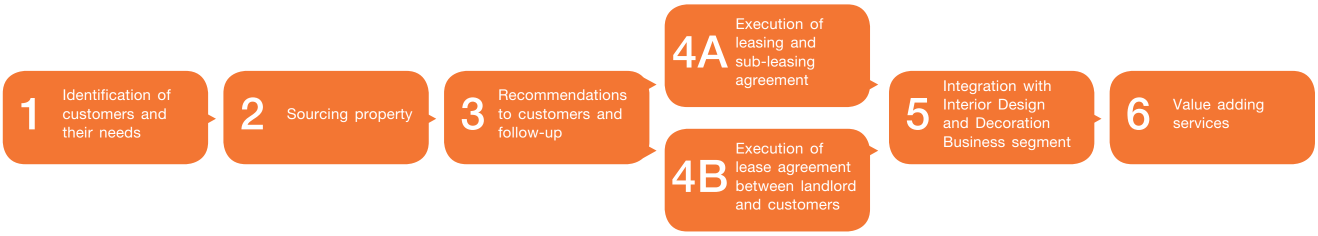
Given that the sub-leasing management service is demand-driven, the Group will generally enter into rental agreement with landlords back to back with the sub-leasing agreement with the customers, and as such, the Group generally does not expose itself to any risk of being unable to lease the premises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

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

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

Business flow

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



Step 1: Identification of customers and their needs

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

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

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

Step 2: Sourcing property

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

Step 3: Recommendations to customers and follow-up

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

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

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

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

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

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

Step 5: Integration with Interior Design and Decoration Business segment

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

Step 6: Value-adding services

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

Scope of service

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

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

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

  (ii) sub-leasing office premises to customers;

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

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

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

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

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

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

(c) Co-work space

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

(i) rental of office space or dedicated desks;

(ii) rental of private office room/booth;

(iii) conference rooms; and

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

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

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

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

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

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

As majority of the sub-tenants' leases with the Group are for 2 to 3 years and the total floor area leased by the Group for sub-leasing is increasing, the Company believes that the sub-leasing business will continue to provide stable source of revenue to the Group in future.

2. Interior Design and Decoration Business segment

Hong Kong

The Group's Interior Design and Decoration Business in Hong Kong is conducted via its 51% owned subsidiary, New Brio Engineering Limited ("**NBE**"), and 100% owned subsidiary, KSL Engineering Limited ("**KSL**"). The scope of the Interior Design and Decoration Business of the Company covers interior design and decoration services for private offices and residential properties, and other small-scaled projects.

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

The PRC

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

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

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

3. Original Businesses

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

The Group appointed Mr. So, who has over 30 years of experience in the civil engineering industry, as the chief operating officer of the Group in February 2019 and he is responsible for overseeing and developing the Group's civil engineering projects. Mr. Yeung, on the other hand, is primarily responsible for overseeing the Interior Design and Decoration Business. He will also refer civil engineering contracting works to the Group, if available. Also, the Board has decided that for those contracts sourced by the Group's own effort in Hong Kong, the Group will perform such contracts via KSL, 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 was incorporated in 2009 and has been one of the operating subsidiaries of the Company prior to the listing of the Company on GEM.

OUTLOOK

The Board has resolved to focus the Group's business on the aforesaid three business segments at its meeting held in February 2019 and the Board believes that these three business segments, namely, (i) the Original Businesses; (ii) Interior Design and Decoration Business; and (iii) sub-leasing, are the three pillars supporting the continuing development of the Group's businesses, improving its financial performance and contributing to the growth of the Group.

The financial results of the Group for the financial year ended 31 July 2020 proves that the Group is on the right track as its revenue and gross profit have substantially increased. Since the Group has developed multiple business lines which are complementary to each other and thus no longer solely rely on the Original Businesses. The fast-growing sub-leasing as well as the interior design and decoration businesses do not only provide stable source of revenue to the Group and improve the Group's profitability, but also diversify the overall business risk of the Group. Expansion of the Group's business to the PRC also allows the Group to maintain its growth momentum and reduce its reliance on a single market especially in view of the current adverse market condition in Hong Kong.

Looking forward, the Directors will continue to develop the Group's existing businesses in Hong Kong while at the same time continue its expansion in the PRC. Furthermore, the Directors are optimistic on the development of the Original Businesses as the HKSAR Government has implemented different policies such as "Long Term Housing Strategies" and "Lantau Tomorrow" in the Chief Executive's 2018 Policy Address on 10 October 2018, which will revitalise Hong Kong's construction engineering industry. This will in turn benefit the civil engineering industry in Hong Kong which the Board believes would be positive to the future business performance of the Group. The Group and the management team are determined to intensify their effort during the year and afterward so that the Group can continue to thrive.

FINANCIAL REVIEW

Revenue and Segment Information

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

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

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

(a) Interior design and decoration

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

Due to the synergy effect with its sub-leasing business and with the assistance of the newly appointed Chief Operating Officer, the Group expanded its interior design and decoration business to the PRC since the second half of the financial year ended 31 July 2019 and achieved segment revenue in the PRC of approximately HK$68.3 million in the financial year ended 31 July 2020. Customers of the Group's interior design and decoration business in the PRC include both customers of its sub-leasing business and sub-leasing non-related customers.

(b) Sub-leasing

The Company completed the acquisition of ZSGT in November 2018 which has proven to be successful as the Group recorded segment revenue from sub-leasing in the PRC of approximately HK$85.2 million in the year ended 31 July 2020 (2019: approximately HK$35.3 million).

(c) Original Businesses

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

Cost of Services

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

Gross Profit

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

Other Income and Gains

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

Administrative and Other Operating Expenses

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

Income Tax Expense

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

EIT of approximately HK$9.5 million is payable by the Group in the PRC due to the profitability of its operations in the PRC.

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

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

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

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

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

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

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

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

Final Dividend

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

Liquidity and Financial Resources

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

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

Gearing Ratio

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

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 July 2020. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Pledge of Assets

As at 31 July 2020, the Group did not have any charges on its assets (2019: Nil).

Foreign Exchange Exposure

Most of the Group's bank balances and income are denominated in either Renminbi or Hong Kong dollars. The Group has not experienced any material difficulties or negative impacts on its operations as a result of fluctuations in currency exchange rates. The Board considered that no hedging of exchange risk is required and accordingly, there were no financial instruments being used for hedging purposes during the year ended 31 July 2020. Nevertheless, the management will continue to monitor the Group's foreign exchange exposure and will take prudent measures as and when appropriate.

Capital Structure

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

As at 31 July 2020, the share capital and equity attributable to owners of the Company amounted to approximately HK$4.1 million and HK$98.6 million respectively (2019: approximately HK$4.1 million and HK$73.8 million respectively).

Capital Commitments

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

Application of the Net Proceeds of the Placing

As at 31 July 2020, the Company had utilised in aggregate of approximately HK$14,981,000 out of the total net proceeds of approximately HK$22,200,000 (the "**Proceeds**") derived from the Company's placing in 2014. The Proceeds have been applied in accordance with the intended uses as previously disclosed in the Company's prospectus dated 28 November 2014 and the announcement dated 4 December 2018.

As the Company has been cautiously monitoring on its costs and expenses, the actual amount used in the applications of the Proceeds was less than the budgeted amount of the Proceeds. Details of the actual application of the Proceeds during the year ended 31 July 2020 are as follows:

Intended uses of the Proceeds	Planned use of the Proceeds HK$ (approximately)	Actual use of the Proceeds up to 31 July 2020 HK$ (approximately)	Actual use of the Proceeds for the year ended 31 July 2020 HK$ (approximately)
(1) Further developing the contracting business of the Company	15,000,000	8,070,000	–
(2) Strengthening in-house team of engineering staff of the Company	5,000,000	2,064,000	–
(3) Developing more efficient in-house computer programs of the Company	2,000,000	847,000	–
(4) General working capital	–	4,000,000	–
Total	**22,000,000**	**14,981,000**	–

As at 31 July 2020, the unutilised Proceeds amounted to approximately HK$7,019,000. The Company intends to apply the said unutilised Proceeds for development of the Company's sub-leasing business in the PRC.

Human Resources Management

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

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

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

Significant Investments Held

Except for investment in its subsidiaries as at 31 July 2020, the Group did not hold any significant investment in equity interest in any other company.

Material Acquisitions, Deregistrations and Disposals of Subsidiaries and Affiliated Companies

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

Contingent Liabilities

Save as disclosed in note 35 to the consolidated financial statements, the Group did not have any other material contingent liabilities as at 31 July 2020 (2019: Nil).

EXECUTIVE DIRECTORS

Mr. LIN Ye (林燁) ("Mr. Lin"), aged 56, 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 37, was appointed as an executive Director on 23 June 2017. He holds a bachelor of economics degree from the Chinese University of Hong Kong and a master degree of Science in Corporate Governance and Compliance from the Hong Kong Baptist University. 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. YUAN Shuang Shun (袁雙順) ("Mr. Yuan"), aged 49, 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 was also appointed as an independent non-executive director of ISP Global Limited (stock code: 8487), the shares of which are listed on the GEM, on 1 August 2020.

Mr. Yuan has also been appointed as an authorised representative of the Company.

* *For identification purpose only*

Ms. XIAO Yi Liao Ge (肖怡廖閣) ("Ms. Xiao"), aged 25, 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 39, 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 fellow 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 Chartered Governance Institute. Ms. Kwong has over 17 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 46, 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*

Ms. GUO Liying (郭麗英) ("Ms. Guo"), aged 40, 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 61, 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 46, 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.

Mr. LUO Jia Shun (羅嘉順) ("Mr. Luo"), aged 44, has over 19 years of experience in the real estate industry in the People's Republic of China (the "PRC"). From 2001 to April 2010, Mr. Luo was a sales director of Shenzhen International Real Estate Consulting Co., Ltd* (深圳國際房地產諮詢股份有限公司) and principally responsible for selling both new and second-hand real estate properties in the PRC. From May 2010 to March 2017, Mr. Luo was a department manager of Shenzhen Yunfang Network Technology Co., Ltd* (深圳市雲房網絡科技有限公司) and was principally responsible for leasing and sale and purchase of commercial real estates. From April 2017 to May 2020, Mr. Luo was a project deputy director of of Xiamen Taicheng Group Company Limited* (廈門泰成集團有限公司) and was principally responsible for strategic development and operations management including lease renewal and property management, as well as the planning, development and promotion of different projects, including a commercial property project with six levels of commercial units and a total of 12,000 square meters.

* *For identification purpose only*

ABOUT THIS REPORT

China All Nation International Holdings Group Limited (hereafter referred to as the "**Company**" or "**China All Nation**") along with its subsidiaries (the "**Group**") is pleased to present its Environmental, Social and Governance ("**ESG**") Report (the "**Report**"). This Report serves to disclose our ESG management approach and performance of our key operations. It is prepared in compliance with the "comply or explain" provision of the Environmental, Social and Governance Reporting Guide (the "**ESG Guide**") under Appendix 20 of the GEM Board Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

With consideration to the relative significance of ESG impacts, this Report communicates the operations of the Group's main business in Hong Kong, as well as our subsidiary business conducted by Shenzhen Zhongshenguotou 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**"). Unless otherwise specified, this Report covers our financial year from 1 August 2019 to 31 July 2020 (the "**Reporting Period**").

The purpose of this Report is to provide stakeholders with an overview of the Group's efforts regarding ESG impacts arising from its 1) civil engineering consulting and contracting services, 2) property sub-leasing and management business, and 3) interior design services and decoration works. All information is prepared and published based on existing policies, practices, and official documents or reports in an accurate, genuine, and transparent manner.

This Report adheres to the following reporting principles:

Materiality	As assessed and confirmed by the Board, this Report is structured based on the materiality of respective ESG issues. The Board and the management will review these sustainability issues annually in order to ensure such issues are being addressed in our daily operations.
Quantitative	As the ZSGT office is located in one of its sub-leased premises, managed by its property management company, the environmental key performance indicators ("**KPIs**") include only the main offices of China All Nation. This Report also discloses material social KPIs of Hong Kong and PRC sides.
Balance	This Report provides an unbiased overview of the Group's ESG performance. It discloses both achievements and room for improvements moving forward.
Consistency	This Report is prepared with consistency in terms of methodology with previous years, which is in accordance with the HKEX's ESG Guide. For factors leading to meaningful comparison in specific environmental KPI(s), please refer to the "Performance Data Summary".

We welcome reader feedback on this Report and our approach to sustainability. If you have any comments or suggestions, please share with us by:

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CORPORATE PROFILE

The Group is principally engaged in the provision of civil engineering consulting and contracting services in Hong Kong, property sub-leasing and management business in the PRC, and interior design and decoration services in both Hong Kong and the PRC.

Civil Engineering Consulting and Contracting

Our civil engineering consulting and contracting team is led by our top management who has over 30 years of experience in the civil engineering industry. We engage as a consultant, contractor, and/or project manager in the provision of site supervision services for developers and contractors in private property development and public works projects in Hong Kong. Our services 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.

Sub-Leasing and Management

With a surging number of start-up and small-to-medium businesses in the PRC, it presents greater demands for grade-A office premises with a flexible working environment at an affordable price that embeds co-use/sharing concept. Recognising the ample business opportunities in such regard, ZSGT was subsequently established in 2018, specialising in sub-leasing of office premises and provision of property management, as well as value-adding services in the PRC.

Given the demand-driven nature of sub-leasing service, the Group enters into rental agreements with landlords concurrently with the subleasing agreements with sub-tenants. Thus, we are able to minimise risks of being unable to lease out premises. Leveraging our expertise in interior design and decoration, we have also dedicated a team focusing on interior design and decoration business arising from the sub-lease business.

Interior Design and Decoration

Our in-house design department is responsible for providing interior design and decoration services for private offices and residential properties, and other small-scaled projects in Hong Kong and the PRC. Our services also include the identification of suitable vendors and suppliers in providing resources and services, including but not limited to fire safety equipment, air-conditioning and mechanical ventilation system, interior fitting out and electrical works.

OUR APPROACH TO SUSTAINABILITY

At China All Nation, sustainability is achieved through dedication, comprehensive planning, and systematic management from the Board of Directors (the "**Board**"), along with the support from our shareholders, employees, customers, suppliers, and subcontractors. We strive to optimise economic and social values in managing supply chain, product liability, occupational health and safety, ethics, labour, and community, without compromising environmental resources that help support our growth.

Commitment from the Board

This Report is endorsed by the Board, who upholds the overall responsibility in overseeing and formulating the Group's ESG strategies and reporting on material ESG matters. Through closely observing regulatory requirements, reviewing our ESG practices and disclosing our performance on an annual basis, it is hoped that sustainability risks and opportunities can be identified, determined, and managed in an appropriate manner.

Stakeholder Engagement

China All Nation believes stakeholders' interests, expectations and concerns intertwine with our performance and sustainable development. With a goal to foster long-term relationships with our stakeholders, we strive to ensure that transparent and interactive channels are in place for communication purposes. We also adopt multiple channels that allow meaningful interaction. This enables examination and management of stakeholders' views, their understanding of the Group's activities and directions, and ultimately help us better align policies and strategies with consideration to their interests and expectations. The table below lists the engagement channels through which we interact with our stakeholders:

Stakeholder Groups	Engagement Channels
	Business Meetings
Shareholders and Investors	Correspondences
Employees	Performance Appraisal Meetings
Customers	Personal Contacts
Landlords	Procurement Tender Meetings
Lessors	Site Visits
Suppliers and Subcontractors	Company Websites
Community	Annual and Interim Reports
	Announcements

During the Reporting Period, an independent sustainability consultancy was commissioned to assist in managing and reviewing ESG-related policies and material issues. Reviewed and approved by the Board, this Report is structured into three sections similar to the previous Reporting Period — "Our Operation", "Our People and Community", and "Our Environment".

Moving forward, the Group shall continue to communicate our ESG performance in an accurate and transparent manner. It shall also consider conducting an ESG-specific stakeholder engagement exercise to provide a more holistic view and help prioritise ESG issues based on their level of concern. Where appropriate, the Group shall also disclose ESG targets, future plans, and relevant strategies in the pursuit of continuous sustainability improvement.

OUR OPERATION

As a contractor and sub-leaser, we are committed to driving optimal values for customers while minimising social and environmental costs. To this end, significant importance is placed on the selection and management of suppliers, execution and quality of project and product, as well as exemplification of business ethics.

Managing Supply Chain

Our civil engineering consulting and contracting team works closely with our subcontractors to supervise their execution. In order to ensure that all engaging site workers are well-equipped with technical knowledge and skills, they are obliged to hold a valid Construction Industry Mandatory Basic Safety Training Certificate accredited by the Labour Department before entering the construction site area.

We make sure our subcontractors are fully aware of their obligations by outlining guidelines on the Standard Conditions for Appointment of Subcontractors. In particular, they are required to exercise due diligence in managing the site, ensuring safe construction practice on site, as well as complying with relevant laws and regulations in respect of construction safety and environmental protection issues.

3-step Approach in the Appointment of Subcontractors	
Selection	• All subcontractors are subject to Subcontractor Safety Assessment conducted by respective Project Managers • Specific safety rules related to the subcontract work are distributed to qualified subcontractors
Evaluation	• Safety Performance Evaluation is conducted by the Project Manager on a regular basis to ensure consistent performance of subcontractors
Control	• A Subcontract Meeting is held with subcontractors prior to their work commencement • The Project Manager will explain the safety policy, including rules and regulations and emergency plan

The team strives to ensure open communication amongst members across different disciplines to ensure effective project implementation. Various meetings are held between the team and subcontractors to coordinate work quality, as well as material environmental, and health and safety matters.

In the subleasing business, the Group aims to sub-lease properties with relatively long lease terms. It is essential to understand leasing trends through market analysis, as well as interactions with sub-tenants and landlords conducted by ZSGT's marketing department. A feasibility study is conducted when sourcing potential sub-leasing properties.

Factors to be considered when sourcing potential sub-leasing properties:

- Commercial development of the proposed district
- Availability of favorable government policies in support of commercial development
- Portfolio of the enterprises in the proximity
- Expected rental yield
- Lease term of the property
- Location and accessibility of the property
- Usage and physical condition of the property
- Estimated costs required for the renovation and/or refurbishment works

Upon review and approval from senior management, lease negotiation with the relevant landlords will commence. The Group will also conduct inspection and prepare sub-leasing proposals. The Group will also be in constant communications with the landlords to ensure a seamless renovation and refurbishment process in delivering the most customer-oriented workspace environment.

Assuring Product Quality

In delivering services and products that satisfy safety and quality requirements, our civil engineering consulting contracting and decoration works are governed by the quality management system in accordance with the ISO 9001:2008 requirements. The management system governs our interaction with our subcontractors who are committed to delivering quality work.

Requirements that Subcontractors must commit to:

- Facilitating quality audits on the subcontract works, materials, and associated workshops
- Submitting certificate of origin and test report of 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
- Attending site meetings with regards to quality issues

The Group requires subcontractors' strict abidance in the application of control measures, and proper control of work documents, as well as information, including drawings and written instructions. Prior to usage, all equipment must be registered. They are also subject to regular assessment and calibration to ensure functionality. 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.

In our sub-leasing business, ZSGT strives to optimise the user experience and provide stylish decoration at affordable price embedding co-use/sharing concept for its sub-tenants. When assessing potential properties, our marketing team will conduct analysis of the geographic location of potential sub-tenants in the proximity with the property. This helps ensure that the potential properties are in line with the Group's sub-leasing strategy focusing on entrepreneurs, start-up business and small-to-medium enterprises.

With the Group's experience in the sub-leasing business, we have built an extensive network of pre-approved contractors for the execution of additions and alteration works. This allows time and cost savings in evaluating and selecting contractors, in turn shortening the time required for the renovation and refurbishment processes. In order to ensure subcontracted works are conducted in accordance with the quality and safety procedures, our customer services department will carry out regular site inspection.

We seek to maintain long-term relationships with our sub-tenants by enhancing brand attractiveness and optimising rental affordability. Through providing one-stop comprehensive subleasing services, we hope to sustain satisfactory occupancy rates, thereby generating a stable rental income base. Upon leasing properties from our landlords, we carry out necessary sublease design, planning, renovation and refurbishment works. We have delegated an experienced in-house property management team that provides instant support and services.

In-house Property Management Services:

- Security and reception services
- Tailor design, renovation and refurbishment, as well as repair and maintenance services
- Consultation and execution on the regulatory requirement of fire control
- Human resources planning and manpower recruitment
- Provision of platform on the Group's mobile application for promotional activities
- Consultation and assistance on registration tax and employment benefits matters

Governing Business Conduct

China All Nation undertakes a stringent approach in governing business ethics within all of its operations. In order to forge trustworthy and long-lasting relationships with our business partners and customers, we are committed to operating with high standards of business ethics. These practices include anti-corruption, labour standards, and respect of privacy and other rights.

Anti-Corruption

Our abridged version of business conduct in our Staff Handbook has detailed the ethical standards and values upheld within our businesses. The policy outlines the duties, responsibilities and obligations expected from our staff, as well as misconduct behaviours that require awareness. These misconducts include but are not limited to acceptance of gifts/loan/bribery, conflicts of interest, anti-competitiveness practices, fraudulent financial reporting, ill treatment of employees and insider information trading.

In face of concerns regarding possible improprieties and malpractices, our internal whistle-blowing policy provides a transparent and confidential process for our staff. 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.

Labour Standards

At China All Nation, hiring of workers below 16 years old is strictly prohibited. Prior to hiring of all personnel within the Group, identity and background checks are performed. To ensure labour standards in the supply chain, we have issued the "Prevention From Employment of Illegal Immigrants Code".

Without valid working permits issued by the contractor, or identity cards or relevant documents issued by respective regulatory bodies, workers will be banned from working 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.

Through these measures, we aspire to create decent jobs for all and become one of the forces supporting labour rights through the eradication of child and forced labour within the industry.

Privacy and Other Rights

China All Nation strives to safeguard, and respect privacy and intellectual property rights when providing interior design and decoration services. In handling and processing confidential information, all matters are to be handled with due care, where unauthorised disclosure may lead to disciplinary or legal action.

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.

OUR PEOPLE AND COMMUNITY

The Group aspires to foster a constructive work environment for our employees, who are the core to our sustainable business growth. It remains our priority to retain talents by maintaining a safe and healthy workplace that is discrimination and harassment free, offering competitive employee incentives, as well as continuously developing our employees to maximise their potential. We also forge close ties with the community where we operate in.

Ensuring Health and Safety

As a contractor, we are concerned with the wellbeing of both our own employees and our subcontractors' employees at project sites. Our employees are required to report to senior management on any health and safety hazards they are exposed to, or any injuries and illnesses encountered. We also document fire precaution measures in our Staff Handbook. Instructions such as using a fire extinguisher, fire escape routes at respective offices, as well as actions to be taken in the unlikely event of a fire are illustrated on site.

We established the Safety Rules for our subcontractors, in which they are expected to submit safety plans, method statements, risk assessments and other safety related documents prior to work commencement. They are also expected to equip their employees with necessary equipment, as well as other personal protective equipment in performing onsite duties.

Necessary Equipment
• Safety helmet with chin strap
• Safety footwear
• Reflective vest

Personal Protective Equipment
• Safety belts
• Fall arrestor
• Independent lifelines
• Goggles
• Gloves
• Masks
• Breathing apparatus
• Ear plugs

Tools, plants, equipment, materials, as well as dangerous or chemical substances should be safely stored and attached with a warning label. Fire extinguishers at the site area are to be sufficiently installed and kept ventilated at all times. Relevant health and safety issues will be discussed with our subcontractors in the Site Safety Committee Meeting. Regular site inspections are conducted, and compliance is enforced by a score-deduction system that assesses subcontractors' safety performance. Any negligence or violation of safety rules may lead to suspension of tendering qualification or early contract termination.

To ensure workplace health and safety, as well as that of our sub-tenants, our ZSGT Staff Handbook outlines the instructions to be taken in face of any unlikely event, such as an accident, outbreak of infectious disease or a fire. All employees are all obliged to ensure hygiene maintenance and are prohibited to smoke indoors.

COVID-19 Prevention and Control

Amidst the ongoing COVID-19 pandemic, the PRC has implemented a series of prevention and control measures, including extending the Lunar New Year holidays nationwide and imposing certain degrees of restrictions on travel and transportation. In response to regional requirements, as well as our concerns over the health and welling of our employees, ZSGT has established a Prevention and Control Working Group (復工防控小組).

In adherence to the Notice of the People's Government of Guangdong Province on the Resumption of Enterprise Work and School Opening Time (廣東省人民政府關於恢復企業工作和開學時間的通知), we have issued the Commitment Letter for the Resumption of Enterprise Work (企業復工備案及防控承諾書) and obtained approval from regional regulatory body to resume property management services in February.

Measure carried out for the Prevention and Control of COVID-19:

- Promoting important tips regarding pandemic prevention and control
- Distributing masks, gloves, and alcohol sanitiser for the use among employees
- Performing body temperature checks with forehead digital thermometer, in the morning, noon and evening
- Interviewing employees regarding the travel record during Lunar New Year and assessing the risks associated with contact of the virus
- Adjusting working hours from 9:30 am to 6:30 pm to avoid commuting at peak hours

Recruiting Talents

We are dedicated to ruling out discrimination in the recruitment and promotion during an employment process. We ensure that all employees and candidates are entitled to equal opportunities, regardless of nationality, race, gender, sexual orientation, age, marital status and religious beliefs.

All employees are entitled to compensation and remuneration, including basic salary, performance-related discretionary bonus, retirement benefits and overtime allowance. They are also encouraged to reference the Staff Handbook regarding their entitlement to rest periods and leave, such as statutory holidays, annual leave, sick leave, and maternity leave. Our annual staff performance review serves to provide employees and senior management an opportunity to engage in open conversation with regards to their performance, career development and area for improvements.

Training and Development

As a contractor, it is highly essential that our employees and in-house technicians are well-trained in engaging with parties from other technical backgrounds, and are equipped with skills and expertise to perform required duties at construction site areas. Apart from holding the Construction Industry Mandatory Basic Safety Training Certificate issued by the Labour Department, all direct and subcontracted employees are required to attend safety induction sessions arranged by our officers before commencing work on the construction site. During the Reporting Period, one of our employees participated in the 7.5-hour Mandatory Basic Safety Training Course (Construction Work) organised by the Hong Kong Institute of Construction.

Mandatory Basic Safety Training Course (Construction Work) Programme:

- Potential hazards of works
- Principles of accident prevention
- Emergency preparedness
- Safety in the formation and excavation
- Lifting and handling
- Personal protective equipment
- Safety in scaffolds
- Working platforms and ladders
- Control of construction wastes

The Group has also established the Training Sponsorship Programme that supports and subsidizes our office staff and construction site staff in taking external training programmes. Qualified employees range from managerial, technical staff and engineers, to project managers and general foreman. They are encouraged to take on such opportunities for self-improvement and career development.

In general, all new recruits at ZSGT are required to attend induction programmes arranged by the Human Resources Department to apprehend our corporate culture as well as respective policies to be aware of. Subject to the results of the annual performance review, existing employees are advised by senior managers to take on additional skills workshops or programmes to enhance their work performance. We also offer existing employees with training opportunities and subsidise all the training costs.

Internal Training Programmes Organised during the Reporting Period:

- Induction Training (入職培訓)
- Basic Knowledge Training on Social Insurance and Provident Fund (社會保險與公積金基礎知識培訓)
- Mentality Training (心態培訓)
- Knowledge Training on COVID-19 Control and Prevention (新冠防控知識培訓)

Engaging Community

The Group takes into account the impact made to the surrounding neighborhoods by our design and execution at construction site areas. Therefore, we strive to incorporate community and environmental values to minimise adverse impacts. For more information regarding our effort in environmental protection, please refer to the "Our Environment" section.

ZSGT's Employee Relationship Management (員工關係管理) policy emphasises a rewards and punishment scheme, by encouraging socially responsible and helpful behaviours while penalising social misconduct, such as irresponsible dumping acts and indoor smoking. We also value the importance of team spirit. During the Reporting Period, we organised the annual dinner party (公司尾牙), team building gathering (員工團建聚餐), as well as team building mountaineering event (員工登山團建). All personnel, including executive directors, managers and general staff were invited to join these activities.

OUR ENVIRONMENT

China All Nation respects the limited natural resources that allow our business to thrive. To this end, we strive to minimise the environmental impacts arising from our operations by closely observing management standards, mitigating emissions, and managing resource consumption.

Observing Management Standards

As a contractor, the Group is committed to complying with environmental statutory requirements and standards that monitor adverse environmental impacts arising from our operations. Our operations are conducted in accordance with the ISO 14001:2004 requirements. We also follow the ISO 9001:2008 requirements to ensure our quality control aligns with the environmental management system. By implementing the Subcontractor's Responsibilities on Environmental Issues, our subcontractors are obliged to reference the requirements when performing subcontract works.

During induction programmes, our new recruits are trained to understand environmental impacts related to engineering and construction activities. We welcome designs and construction techniques that are environmentally friendly. We also closely supervise the implementation of construction works conducted by subcontractors to ensure proper environmental practices.

Mitigating Emissions

Air

The Group has implemented the Environmental Operational Control — Air. It has specified the procedures required prior to commencement of construction works, including acquiring relevant license and permit.

Examples of Air Pollution Control Measures
• Adoption of dust screens, sheeting or netting, and watering
• Use of tarpaulin
• Restriction of speed limit
• Proper usage and maintenance of mechanical equipment

During the Reporting Period, our greenhouse gas ("**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 Guidelines to Account and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purpose) in Hong Kong, as well as the latest emission factors, published by relevant power companies.

Noise

The Group has established the Environmental Operational Control — Noise to control noise impacts generated by the operations. In order to carry out noise-inducing works, for instance percussive piling, the use of air compressors, and handheld percussive breakers, noise permits are required, in addition to some other noise control measures.

Examples of Noise Control Measures

- Construction activities shall be scheduled within 7AM–7PM on weekdays
- Quiet powered mechanical equipment and plant shall be used and regularly maintained
- Noise barriers or enclosures shall be installed
- 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

Solid Waste

The Group is committed to the responsible disposal of waste, including taking the initiative to recycle. To minimise office waste, we encourage employees to adopt electronic systems in substituting paper for internal communications. They also encouraged the adoption of double-sided printing, as well as the reuse and sharing concept of stationery and office furniture.

For construction site areas, we require subcontractors to observe the Environmental Operational Control — Waste Management in the proper handling of construction and non-construction waste.

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

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
- Separately labelled bins shall be provided to allow segregation of recyclable material

Wastewater

For wastewater pollution control at construction site areas, we have implemented the Environmental Operational Control — Wastewater. Subcontractors have to obtain and regularly renew the effluent discharge license during the construction period.

Examples of Wastewater Control Measures:

- 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
- 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
- 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

Managing Resource Consumption

With an aim to conserve scarce resources, the Group has implemented the Environmental Operational Control — Office Management. Enforced by the Administrative Department, the policy calls for cooperation among staff in the promotion of environmental-friendly practices.

Energy Management
• Regular company vehicle maintenance and inspection shall be enforced
• Ozone-depleting substances shall be prohibited from use in air-conditioners and fire extinguishers
• Air conditioners are set at a constant 25.5˚C
• Unused lighting, equipment, machines and air conditioners shall be switched off

Water Management
• Domestic sewage shall be properly discharged into public sewer
• Adjust the water flow rate to minimum and reuse wastewater for general cleaning

Other Resources
• Provide separately labelled bins to allow segregation of recyclable materials
• Reuse waste materials and return to suppliers for recycle

LAWS AND REGULATIONS COMPLIANCE

China All Nation is committed to complying with national and regional laws and regulations to safeguard the interests of all stakeholders. The following table communicates all relevant laws and regulations that we have rigorously adhered to, within our value chain, our people and community, as well as the environment.

Our Operation
• Prevention of Bribery Ordinance (Cap.210 of the Laws of Hong Kong)
• Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong)
• Law of the People's Republic of China on Anti-money Laundering (中華人民共和國反洗錢法)

Our People and Community
• Employment Ordinance (Cap. 57 of the Laws of Hong Kong)
• Minimum Wage Ordinance (Cap. 608 of the Laws of Hong Kong)
• Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong)
• Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong)
• Factories and Industrial Undertakings Ordinance (Cap. 59 of the Laws of Hong Kong)
• Employment of Children Regulations (Cap. 57B of the Laws of Hong Kong)
• Employment of Young Persons (Industry) Regulations (Cap. 57C of the Laws of Hong Kong)
• Employment Promotion Law of the People's Republic of China (中華人民共和國就業促進法)
• Labour Law of the People's Republic of China (中華人民共和國勞動法)
• Labour Contract Law of the People's Republic of China (中華人民共和國勞動合同法)
• Regulation on Public Holidays for National Annual Festivals and Memorial Days (全國年節及紀念日放假辦法)
• 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)
• 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)
• 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)

Our Environment
• Air Pollution Control Ordinance (Cap. 311 of the Laws of Hong Kong)
• Noise Control Ordinance (Cap. 400 of the Laws of Hong Kong)
• Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong)
• Water Pollution Control Ordinance (Cap. 358 of the Laws of Hong Kong)

PERFORMANCE DATA SUMMARY

Key Performance Indicators	Unit	2018/19[1]	2019/20[2]
Environmental			
GHG Emission — Scope 1	tCO_2e–	1.27	0.92
GHG Emission — Scope 2	tCO_2e–	21.14	7.67
GHG Emissions (Scope 1 & 2)	tCO_2e–	22.41	8.59
GHG Emission Intensity by Full-time Employee (FTE)	tCO_2e-/Person	0.80	1.51
Electricity Usage	kWh	37,376.15	11,787.94
Petroleum Usage	Litres	477.12	346.85
Energy Usage	MJ	150,575.85	54,083.80
Energy Usage Intensity by FTE	MJ/Person	0.00	0.00
Water Usage	m^3	72.10	37.04
Water Usage Intensity by FTE	m^3/Person	0.25	0.35
Social			
Total Workforce	Person	18	13

1 The environmental and social KPIs displayed for FY18/19 covered headquarter office, New Brio Engineering Limited ("**NBE**"), New Brio Associates Limited ("**NBA**"), and Holy Charm Limited ("**HC**"). In this Report, the intensity figures have been recalculated and revised according to per unit of full-time-employee for meaningful comparison.

2 The Group entered into a share purchase agreement to dispose of its entire equity interest in HC during the Reporting Period. It has also terminated the rental agreement of NBE from January 2020 onwards. Therefore, the environmental and KPIs for this Reporting Period include only the electricity bills for the headquarter office, as well as those of NBE's until December 2019. The social KPIs also include only Hong Kong's operation for meaningful comparison.

HKEX ESG GUIDE CONTENT INDEX

Aspects, General Disclosures and KPIs	Description	Relevant Chapter 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 — Observing Management Standards, Mitigating Emissions, Laws and Regulations Compliance
KPI A1.1	The types of emissions and respective emissions data.	Due to insufficient information, respective emission data is absent. The Group shall establish a more comprehensive data collection platform for such disclosure moving forward.
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Performance Data Summary
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Due to insufficient information, respective emission data is absent. The Group shall establish a more comprehensive data collection platform for such disclosure moving forward.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Due to insufficient information, respective emission data is absent. The Group shall establish a more comprehensive data collection platform for such disclosure moving forward.
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Our Environment — Observing Management Standards, Mitigating Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Our Environment — Observing Management Standards, Mitigating Emissions

Aspects, General Disclosures and KPIs	Description	Relevant Chapter 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 — Managing Resource Consumption
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).	Performance Data Summary
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Performance Data Summary
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Our Environment — Managing Resource Consumption
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	We did not encounter any issue in sourcing water that is fit for purpose.
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A
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 — Observing Management Standards, Mitigating Emissions, Management Resource Consumption
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 — Observing Management Standards, Mitigating Emissions, Management Resource Consumption

Aspects, General Disclosures and KPIs	Description	Relevant Chapter 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 — Recruiting Talents, Laws and Regulations Compliance
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Performance Data Summary
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Performance Data Summary
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 — Ensuring Health and Safety, Laws and Regulations Compliance
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 — Ensuring Health and Safety
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).	N/A
KPI B3.2	The average training hours completed per employee by gender and employee category.	N/A

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
B. Social		
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 Operation — Governing Business Conduct, Laws and Regulations Compliance
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Our Operation — Governing Business Conduct
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Our Operation — Governing Business Conduct
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Our Operation — Managing Supply Chain
KPI B5.1	Number of suppliers by geographical region.	N/A
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 — Managing Supply Chain
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 — Assuring Product Quality, Governing Business Conduct, Laws and Regulations Compliance
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.	N/A
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Our Operation — Governing Business Conduct
KPI B6.4	Description of quality assurance process and recall procedures.	Our Operation — Assuring Product Quality
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Our Operation — Governing Business Conduct

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
B. Social		
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 — Governing Business Conduct, Laws and Regulations Compliance
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.	N/A
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Our Operation — Governing Business Conduct
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 — Engaging Community
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Our People and Community — Engaging Community
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	N/A

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 2020.

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 2020, 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 2020, there have been no chief executive in the Company. Mr. Lin Ye acted as the Chairman of the Board, and is responsible for the overall management and formulation of business strategy of the Group.

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

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 seven Directors, including four executive Directors and three independent non-executive Directors ("**INED**"). In particular, the composition of the Board during the year ended 31 July 2020 and as at the date of the annual report is set out as follow:

Executive Directors
Mr. Lin Ye *(Chairman)*
Mr. Au Siu Chung *(Compliance Officer)*
Mr. Long Jie *(Resigned on 1 May 2020)*
Mr. Yuan Shuang Shun
Ms. Xiao Yi Liao Ge

Independent Non-executive Directors
Ms. Kwong Ka Ki
Mr. Yu Hua Chang
Ms. Guo Liying

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 2020. During the year ended 31 July 2020 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 2020, 10 board meetings and 1 general meetings were held.

The attendance of the respective Directors at the meetings in the year ended 31 July 2020 are set out below:

	Meetings Attended/Held	
	Board meeting	**General meeting**
Executive Directors		
Mr. Lin Ye *(Chairman)*	10/10	1/1
Mr. Au Siu Chung *(Compliance Officer)*	9/10	1/1
Mr. Long Jie *(Resigned on 1 May 2020)*	5/10	0/1
Mr. Yuan Shuang Shun	9/10	1/1
Ms. Xiao Yi Liao Ge	9/10	1/1
Independent Non-executive Directors		
Ms. Kwong Ka Ki	10/10	1/1
Ms. Guo Liying	10/10	1/1
Mr. Yu Hua Chang	10/10	1/1

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

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 2020, 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;

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 2020, the Audit Committee had reviewed the Group's unaudited quarterly results for the three months ended 31 October 2019, audited interim results for the six months ended 31 January 2020, audited quarterly results for the nine months ended 30 April 2020 and discussed internal controls and financial reporting matters. The Audit Committee had also reviewed audited annual results for the year ended 31 July 2020, 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 2020 and up to the date of this annual report.

For the year ended 31 July 2020, the Audit Committee had held 4 meetings. The attendance records of the members of the Audit Committee are summarised below:

	Meetings Attended/Held
Ms. Kwong Ka Ki *(Chairperson)*	4/4
Ms. Guo Liying	4/4
Mr. Yu Hua Chang	4/4

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;

8. 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

9. 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 2020 are summarised below:

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

During the year ended 31 July 2020, 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 2020 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):

1. 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;

2. to review the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy;

3. 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;

4. to assess the independence of INEDs; and

5. 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.

The attendance records of the members of the Nomination Committee for the year ended 31 July 2020 are summarised below:

	Meetings Attended/Held
Ms. Kwong Ka Ki *(Chairperson)*	1/1
Ms. Guo Liying	1/1
Mr. Yu Hua Chang	1/1

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 2020 are summarised below:

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

AUDITORS' REMUNERATION

During the year ended 31 July 2020, 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
Audit services	1,190,000
Non-audit services	258,000
	1,448,000

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 an adequate system of internal controls and risk management within the Group. During the year ended 31 July 2020, 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, being internal environment, risk assessment, control activities, information and communication and internal supervision. The aim of internal control is to reasonably guarantee the compliance of the Group's 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 the Audit Committee, 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 2020, 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.

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 2020.

SENIOR MANAGEMENT REMUNERATION

For the year ended 31 July 2020, the remuneration of the senior management is listed below by band:

	Number of individuals
HK$1 to HK$500,000 (Note 1)	3
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 2020 as regarded to be disclosed pursuant to the Code are provided in Notes to the Consolidated Financial Statements in this annual report.

Note:

1. This includes the remuneration of a senior management who resigned with effect from 31 May 2020.

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 27 November 2020, 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 such failure of the Board shall be reimbursed to the requisitioning shareholder(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.

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 titled "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 2918, 29/F.
Shui On Centre
No. 6-8 Harbour Road
Wanchai
Hong Kong

Email: feedback@allnationinternational.com

Significant Changes in Constitutional Documents

During the year ended 31 July 2020, 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 2020.

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 2020, 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 2020 are set out in Note 38 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 July 2020 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 2020.

CLOSURE OF REGISTER OF MEMBERS

As the forthcoming AGM of the Company to be held on 27 November 2020 (Friday), the register of members of the Company will be closed from 24 November 2020 (Tuesday) to 27 November 2020 (Friday) (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 23 November 2020 (Monday) 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

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 2020 are set out in Note 14 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 2020 are set out in Note 31 to the consolidated financial statements.

SHARE CAPITAL AND SHARE PREMIUM

The Company's total issued share capital as at 31 July 2020 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 2020 are set out in Notes 27 and 29 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 2020 are set out in Note 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As of 31 July 2020, 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 the Cayman Islands, (2019: Nil) 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 28 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 2020.

DIRECTORS

The Directors of the Company during the year ended 31 July 2020 and up to the date of this annual report were:

Executive Directors

Mr. Lin Ye *(Chairman)*
Mr. Au Siu Chung *(Compliance Officer)*
Mr. Yuan Shuang Shun
Ms. Xiao Yi Liao Ge
Mr. Long Jie *(Resigned on 1 May 2020)*

Independent Non-executive Directors

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

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 10 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 one to 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, Ms. Xiao Yi Liao Ge, Ms. Guo Liying and Mr. Yu Hua Chang will retire from office as a Director at the forthcoming AGM, and being eligible each, offer himself/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.

PERMITTED INDEMNITY

During the year ended 31 July 2020, 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 2020, the interests and short positions of the Directors and chief executive of the Company in the shares (the "**Shares**"), underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong (the "**SFO**")) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in the Shares

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

Save as disclosed above and so far as is known to the Directors, as at 31 July 2020, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Note:

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

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

As at 31 July 2020, so far as was known to the Directors, the interests and short positions of the following persons (other than the Directors or chief executive of the Company) or entities which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were requested to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

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

Notes:

1. Interests in Shares stated above represent long positions.

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

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

Save as disclosed above, as at 31 July 2020, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Disclosure of Interest" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

MAJOR CUSTOMERS

During the year ended 31 July 2020, the Group's five largest customers accounted for approximately 54.4% (2019: 43.6%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 19.7% (2019: 13.3%) 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 2020, the Group's five largest suppliers accounted for approximately 40.4% (2019: 43.4%) of the total purchases of the Group and the largest supplier of the Group accounted for approximately 19.2% (2019: 14.7%) 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 2020 or at any time during the year ended 31 July 2020.

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 2020.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 July 2020 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.

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 2020, 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 2020, none of the Directors nor their respective close associates (as defined in the GEM Listing Rules) had held any position or had interest in any businesses or companies that were or might be materially competing with the business of the Group, or gave rise to any concern regarding conflict of interests.

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

During the year ended 31 July 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

During the year ended 31 July 2020, save as disclosed 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 2020.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 19 November 2014 (the "**Scheme**"). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 31 July 2020.

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information that is publicly available to the Company, at least 25% of the Company's issued share capital were held by the public as at the date of this 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 had decided to uphold the Decision (the "**LC Decision**"). On 2 August 2019, the Company applied for a review on the LC Decision by the GEM Listing (Review) Committee. The review hearing of the GEM Listing Committee Decision by the GEM Listing Review Committee took place on 22 October 2019. On 31 October 2019, the Company received a fax from the GEM Listing Review Committee that they had decided to uphold the GEM Listing Committee Decision (the "**GEM Listing Review Committee Decision**").

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

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

For more details, please refer to the announcements of the Company dated 4 August 2020, 29 April 2020, 30 January 2020, 1 November 2019, 2 August 2019, 29 July 2019, 10 May 2019 and 3 May 2019 respectively.

INDEPENDENT AUDITOR

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

Moore shall retire in the forthcoming AGM and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Moore as auditor of the Company will be proposed in the forthcoming AGM.

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.

REVIEW OF ANNUAL REPORT

This annual report for the year ended 31 July 2020 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, 28 September 2020

MOORE

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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
(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 85 to 195, which comprise the consolidated statement of financial position as at 31 July 2020, 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 2020, 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 ("**HKSAs**") 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.

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

Revenue recognition on contracts for interior design and decoration works

Refer to the notes 4.13, 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$92,770,000 for the year ended 31 July 2020.

As set out in note 4.13 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 4.13 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.

How our audit addressed the key audit matters

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 by conducting site visits to observe the on-site progress status to date of the selected projects 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, contract assets and finance lease receivables

Refer to the notes 4.10, 5(c), 17, 20 and 38(ii) to the consolidated financial statements

As at 31 July 2020, the Group had trade receivables, contract assets and finance lease receivables with gross carrying amounts of approximately HK$22,423,000, approximately HK$22,769,000 and approximately HK$98,358,000 respectively. The Group had further recognised expected credit loss ("**ECL**") on trade receivables, contract assets and finance lease receivables of approximately HK$50,000 in consolidated profit or loss during the year ended 31 July 2020.

The ECL assessment on trade receivables, contract assets and finance lease receivables 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, contract assets and finance lease receivables;
- 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.

INFORMATION OTHER THAN THE CONSOLIDATED 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 Group's 2020 annual report other than the 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 audit committee of the Company assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITORS' 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 auditors' 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 HKSAs 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 HKSAs, 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.

AUDITORS' 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, 28 September 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 July 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	6	188,422	103,165
Cost of services		(129,927)	(85,489)
Gross profit		58,495	17,676
Other income and gains	7	4,206	2,738
Administrative and other operating expenses		(20,624)	(20,812)
Impairment loss allowance on trade receivables, contract assets and finance lease receivables, net	38(ii)	(50)	(811)
Finance costs	8	(21,075)	–
Profit/(loss) before income tax	9	20,952	(1,209)
Income tax expense	11	(9,189)	(2,442)
Profit/(loss) for the year		11,763	(3,651)
Other comprehensive (loss)/income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		(731)	88
Total comprehensive income/(loss) for the year, net of income tax		11,032	(3,563)
Profit/(loss) for the year attributable to:			
Owners of the Company		11,650	(7,051)
Non-controlling interests	31	113	3,400
		11,763	(3,651)
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		10,919	(6,963)
Non-controlling interests		113	3,400
		11,032	(3,563)
Earnings/(loss) per share attributable to the owners of the Company			
– Basic and diluted earnings/(loss) per share (HK cents)	12	2.83	(1.71)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	14	1,314	3,087
Investment properties	15	95,937	–
Right-of-use assets	16	1,155	–
Finance lease receivables	17	52,864	–
Goodwill	18	230	230
Intangible assets	19	–	882
Deposits paid	21	21,935	12,330
		173,435	16,529
Current assets			
Trade receivables	20	21,661	21,078
Contract assets	20	22,651	18,334
Finance lease receivables	17	45,342	–
Prepayments, deposits paid and other receivables	21	15,742	20,487
Restricted cash	22	1,635	–
Cash and cash equivalents	22	82,696	65,518
		189,727	125,417
Current liabilities			
Trade and other payables	23	43,574	52,654
Contract liabilities	23	430	1,392
Lease liabilities	24	72,179	–
Tax payable		4,844	2,011
		121,027	56,057
Net current assets		68,700	69,360
Total assets less current liabilities		242,135	85,889
Non-current liabilities			
Deposits received	23	18,683	12,697
Deferred tax liabilities	25	2,264	220
Loan from a shareholder	26	13,123	–
Lease liabilities	24	110,182	–
		144,252	12,917
Net assets		97,883	72,972

As at 31 July 2020

	Notes	2020 HK$'000	2019 HK$'000
Equity			
Share capital	27	4,112	4,112
Reserves	29	94,521	69,723
Equity attributable to owners of the Company		98,633	73,835
Non-controlling interests	31	(750)	(863)
Total equity		97,883	72,972

The consolidated financial statements on pages 85 and 195 were approved and authorised for issue by the Board of Directors on 28 September 2020 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 2020

	Attributable to owners of the Company					
	Share capital HK$'000 (Note 27)	Share premium HK$'000 (Note 29)	Other reserves HK$'000 (Note 29)	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 August 2018	4,112	24,394	52,292	80,798	(4,286)	76,512
(Loss)/profit for the year	–	–	(7,051)	(7,051)	3,400	(3,651)
Other comprehensive income for the year						
Exchange differences on translation of financial statements of foreign operations	–	–	88	88	–	88
Total comprehensive (loss)/income for the year	–	–	(6,963)	(6,963)	3,400	(3,563)
Disposal of subsidiaries	–	–	–	–	31	31
Deregistration of a subsidiary	–	–	–	–	(8)	(8)
At 31 July 2019	4,112	24,394	45,329	73,835	(863)	72,972
Impact on initial application of Hong Kong Financial Reporting Standard 16 (Note 3.1)	–	–	7,314	7,314	–	7,314
Adjusted balance at 1 August 2019	**4,112**	**24,394**	**52,643**	**81,149**	**(863)**	**80,286**
Profit for the year	–	–	11,650	11,650	113	11,763
Other comprehensive loss for the year						
Exchange differences on translation of financial statements of foreign operations	–	–	(731)	(731)	–	(731)
Total comprehensive income for the year	–	–	10,919	10,919	113	11,032
Deemed capital contribution arising from non-current interest-free shareholder's loan (Note 26)	–	–	6,565	6,565	–	6,565
At 31 July 2020	**4,112**	**24,394**	**70,127**	**98,633**	**(750)**	**97,883**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 July 2020

	Notes	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Net cash generated from operations	30(a)	89,290	8,333
Income tax (paid)/refunded		(6,571)	93
Interest received		514	64
Net cash generated from operating activities		83,233	8,490
Cash flows from investing activities			
Net cash outflow on acquisition of a subsidiary	33	–	(9,451)
Net cash (outflow)/inflow on disposal of subsidiaries	32	(7)	2
Purchases of property, plant and equipment	14	(103)	(1,183)
Proceeds from disposal of property, plant and equipment		180	–
Net cash generated from/(used in) investing activities		70	(10,632)
Cash flows from financing activities			
Release of restricted cash	22	15,000	–
(Repayment to)/advance from a related party	23(c)	(1,000)	1,000
Payment of principal portion of lease liabilities	30(b)	(63,236)	–
Payment of interest portion of lease liabilities	30(b)	(16,387)	–
Net cash (used in)/generated from financing activities		(65,623)	1,000
Net increase/(decrease) in cash and cash equivalents		17,680	(1,142)
Cash and cash equivalents at beginning of the year		65,518	66,584
Effect of foreign exchange rate changes		(502)	76
Cash and cash equivalents at end of the year	22	82,696	65,518

1. GENERAL INFORMATION

China All Nation International Holdings Group Limited (the "**Company**") was incorporated and registered as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company's shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). With effect from 1 November 2019, trading in the shares of the Company on Stock Exchange has been suspended.

The registered office address of the Company is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of the Company's principal place of business in Hong Kong is Unit 2918, 29/F., Shui On Centre, No. 6–8 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of civil engineering consulting and contracting services in Hong Kong, property sub-leasing and management business in the People's Republic of China (the "**PRC**") and interior design services and decoration works in both Hong Kong and PRC. The principal activities and other particulars of its subsidiaries (collectively referred to as the "**Group**") are set out in note 31.

These consolidated financial statements were approved for issue by the board of directors on 28 September 2020.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

The HKICPA has issued several new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. The Group has early applied the new amendment that is not yet mandatorily effective for the current year is discussed in note 3.2. Details of the changes in accounting policies are discussed in note 3.3.

2. BASIS OF PREPARATION – *continued*

2.2 Basis of preparation of the consolidated financial statements

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

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

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

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

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

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

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

3.1 HKFRS 16 Leases

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

Definition of a lease

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

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

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

3.1 HKFRS 16 Leases – *continued*

As a lessee

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

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

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

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

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

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

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

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

3.1 HKFRS 16 Leases – *continued*

As a lessee – continued

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

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

3.1 HKFRS 16 Leases – *continued*

As a lessee – continued

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

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

Notes:

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

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

3.1 HKFRS 16 Leases – *continued*

As a lessee – continued

Notes: – *continued*

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

(c) Rent-free period

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

Lease payments increase progressively over lease terms

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

As an intermediate lessor

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

(e) Rent-free period

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

Lease receipts increase progressively over lease terms

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

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

3.1 HKFRS 16 Leases – *continued*

Notes: – *continued*

Subleases

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

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

As 31 July 2020, the carrying amount of investment properties which were under subleases amounted to approximately HK$95,937,000 (Note 15). During the year ended 31 July 2020, income from subleasing these properties amounted to approximately HK$56,027,000 (Note 6), depreciation of these investment properties amounted approximately HK$37,635,000 (Note 15) were recognised in consolidated profit of loss.

Certain leased properties under subleases of approximately HK$78,824,000 as at the date of initial application were classified as finance leases and recognised the difference between the right-of-use assets and the net investment in the subleases consolidated in profit or loss.

Taxation

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

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

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

3.1 HKFRS 16 Leases – *continued*

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

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

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

3.1 HKFRS 16 Leases – *continued*

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

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

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

Amendments to HKFRS 16, "COVID-19-Related Rent Concessions" (effective for annual periods beginning on or after 1 June 2020). The amendment provides lessees with exemption from assessing whether COVID-19-related rent concessions is a lease modification and requires lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications. In applying the amendments to HKFRS 16 for the first time, the Group has applied the practical expedient and elected not to assess whether COVID-19-related rent concessions is a lease modification. All of the COVID-19-related rent concessions amounted to approximately HK$1,594,000 (Note 7) has been credited to the consolidated statement of profit or loss and other comprehensive income within "other income and gains". There is no impact on the opening balance of equity at 1 August 2019.

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

3.3 Changes in accounting policies – Investment Properties

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

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

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

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

3.4 New and revised HKFRSs that issued but not yet effective for the year ended 31 July 2020

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and a new standard which are not yet effective for the year ended 31 July 2020 and which have not been adopted in the consolidated financial statements. These include the following which may be relevant to the Group.

		Effective for accounting periods beginning on or after
Amendments to HKAS 1 (Revised) and HKAS 8	Definition of Material	1 August 2020
Amendments to HKFRS 3 (Revised)	Definition of a Business	1 August 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform	1 August 2020
Conceptual Framework For Financial Reporting 2018	Revised Conceptual Framework For Financial Reporting	1 August 2020
HKFRS 17	Insurance Contracts	1 August 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 August 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 August 2022
Amendments to HKFRS 3 (Revised)	Reference to the Conceptual Framework	1 August 2022
Annual Improvements to HKFRSs	Annual Improvements to HKFRSs 2018–2020	1 August 2022
Amendments to HKAS 1 (Revised)	Classification of Liabilities as Current or Non-Current	1 August 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined*

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

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

4. 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 2020.

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.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group losses 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 losses 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 consolidated 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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.

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 *Financial Instruments* ("**HKFRS 9**") is measured at fair value with changes in fair value either recognised in consolidated 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.2 Business combinations and goodwill – *continued*

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to consolidated 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%

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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

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 consolidated 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 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Effective on 1 August 2019, investment properties include leased properties which are being recognised as right-of-use assets upon application of HKFRS 16 and sub-leased by the Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

If an investment property becomes a right-of-use asset because its use has changed as evidenced by the commencement of owner-occupation, the carrying amount of the property at the date of transfer is transferred to right-of-use asset.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Effective on 1 August 2019, a leased property which is recognised as a right-of-use asset upon application of HKFRS 16 is derecognised if the Group as an intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in consolidated profit or loss in the period in which the property is derecognised.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.6 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 other 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.

4.7 Impairment of non-financial assets

Where an indication of impairment exists, the recoverable amounts of property, plant and equipment, intangible assets and investment properties 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 consolidated 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 consolidated profit or loss in the period in which it arises.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.8 Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transition in note 3.1)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transition in note 3.1)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of leased properties under sub-leases and office equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.8 Leases – *continued*

The Group as a lessee (upon application of HKFRS 16 in accordance with transition in note 3.1) – continued

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property is presented within "investment properties".

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the IBR at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.8 Leases – *continued*

The Group as a lessee (upon application of HKFRS 16 in accordance with transition in note 3.1) – continued

Lease liabilities – *continued*

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes expected payment under a guaranteed residual value in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.8 Leases – *continued*

The Group as a lessee (upon application of HKFRS 16 in accordance with transition in note 3.1) – continued

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.8 Leases – *continued*

The Group as a lessee (upon application of HKFRS 16 in accordance with transition in note 3.1) – continued

Lease modifications – *continued*

Practical expedient of COVID-19-Related Rent Concessions

As a practical expedient, the Group elected not to assess whether a rent concession that meets the conditions in paragraph 46B of HKFRS 16 is a lease modification. The Group that makes this practical expedient election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying HKFRS 16 if the change were not a lease modification.

The Group applies the practical expedient only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) any reduction in lease payments affects only payment originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.8 Leases – *continued*

The Group as an intermediate lessor (upon application of HKFRS 16 in accordance with transition in note 3.1)

Classification and measurement of leases

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Subleases for which the Group is an intermediate lessor are classified as finance or operating leases. Whenever the terms of the sub-lease transfer substantially all the risks and rewards incidental to ownership of head lease to the lessee, the contract is classified as a finance lease. All other head leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as finance lease receivables at commencement date at amounts equal to net investments in the leases, measured using the IBR in the respective leases and recognised the difference between the right-of-use assets and the net investment in the sub-leases in consolidated profit or loss. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in consolidated profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the head lease, and such costs are recognised as an expense on a straight-line basis over the lease term consistent with investment properties from leased properties under sub-leases.

Rental income and finance income which are derived from the Group's ordinary course of business are presented as revenue.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 *Revenue from Contracts with Customers* ("**HKFRS 15**") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.8 Leases – *continued*

The Group as an intermediate lessor (upon application of HKFRS 16 in accordance with transition in note 3.1) – continued

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

The group as a lessee (prior to 1 August 2019)

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.

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 consolidated 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. 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 (prior to 1 August 2019)

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.9 Financial instruments

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 consolidated profit or loss.

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 consolidated 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.9 Financial instruments – *continued*

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 fair value through other comprehensive income ("**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 fair value through profit or loss ("**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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.9 Financial instruments – *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 4.10.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.9 Financial instruments – *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 consolidated profit or loss. The net gain or loss recognised in consolidated 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.9 Financial instruments – *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 consolidated 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, deposits received, lease liabilities and loan from a shareholder 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 consolidated 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 consolidated 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 difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in consolidated profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.10 Impairment of financial assets, contract assets and finance lease receivables

The Group recognises a loss allowance for ECL on financial assets (including trade receivables, deposits paid and other receivables, restricted cash and cash and cash equivalents), contract assets and finance lease receivables which are subject to impairment under HKFRS 9. 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.

The Group recognises lifetime ECL for finance lease receivable that results from transactions that are within the scope of HKFRS 16 since 1 August 2019. To measure the ECL, finance lease receivables have been grouped based on shared credit risk characteristics or are assessed individually for credit-impaired balances.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.10 Impairment of financial assets, contract assets and finance lease receivables – *continued*

(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;
- 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.10 Impairment of financial assets, contract assets and finance lease receivables – *continued*

(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.

(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 consolidated profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.10 Impairment of financial assets, contract assets and finance lease receivables – *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, contract assets, and finance lease receivables are each assessed as a separate group. Deposits paid and other receivables, restricted cash and cash and cash equivalent are assessed for ECL on an individual basis);
- 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 consolidated profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, contract assets and finance lease receivables where the corresponding adjustment is recognised through a loss allowance account.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.11 Cash and cash equivalents and restricted cash

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.

Bank deposits which are restricted to use are included in "restricted cash". Restricted cash is excluded from cash and cash equivalents in the consolidated cash flow statements.

4.12 Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside consolidated 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; 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.12 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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.12 Income tax – *continued*

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets, investment properties, finance lease receivables and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets and investment properties, finance income on finance lease receivables and net income from sub-leasing right-of-use assets over the lease payments for the principal and interest portion of lease liabilities resulting in net deductible temporary differences.

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.

4.13 Revenue recognition

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.13 Revenue recognition – *continued*

Revenue from contracts with customers – continued

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.

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

Contracting

Revenue from the provision of 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.13 Revenue recognition – *continued*

Revenue from contracts with customers – continued

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

Property management fee income and value-adding services

Revenue from the provision of property management fee income and value-adding services is generally derived from property management, general repair and maintenance services, cleaning, security and other value-adding services that are recognised over the scheduled period on a straight line basis because the customers simultaneously receives and consumes the benefits provided by the Group.

Revenue from property sub-leasing and other than contracts with customers

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

Gross rental income

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

Finance income on finance lease receivables

The Group records revenue attributable to finance leases over the lease term on a systematic basis so as to produce a constant rate of return on the net investment in the finance lease.

Income from sub-leasing right-of-use assets

Accounting policy of income from sub-leasing right-of-use assets is stated in the section headed "The Group as an intermediate lessor" in note 4.8.

Interest income

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.14 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 consolidated 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 translation reserve.

Such translation differences are reclassified to consolidated 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 consolidated profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.15 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 the consolidated income statement 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.

(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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.15 Employee benefits – *continued*

(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.

4.16 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.

4.17 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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 consolidated 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

(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);

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.20 Related parties – *continued*

(b) – *continued*

(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.

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 4.13 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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – *continued*

(a) Revenue recognition on contracts for contracting works – *continued*

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 4.13 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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – *continued*

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

The Group has considered all the possible default events over the expected life of the trade receivables, contract assets and finance lease receivables 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, contract assets and finance lease receivables that are credit impaired are assessed for ECL individually. The loss allowance amount of the credit impaired trade receivables, contract assets and finance lease receivables 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, contract assets and finance lease receivables are disclosed in notes 17, 20 and 38(ii), respectively.

(d) Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the leases, and therefore, it uses an IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

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 *Operating Segment*.

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

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

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:

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

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

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

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

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

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

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

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

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:

	Contracting HK$'000	Interior design and decoration works HK$'000	Property sub-leasing and management services HK$'000	Total HK$'000
Year ended 31 July 2020				
Revenue from external customers and disaggregated by timing of revenue recognition				
Services transferred over time	10,483	92,770	85,169	188,422
Reportable segment profit	539	18,389	20,202	39,130
Loss on modification of shareholder's loan (Note 26)				(2,844)
Unwinding of imputed interest on shareholder's loan (Note 26)				(1,390)
Unallocated corporate expenses				(13,944)
Profit before income tax				20,952
Income tax expense				(9,189)
Profit for the year				11,763
Included in segment results are:				
Unwinding of imputed interest on shareholder's loan (Note 26)	–	–	454	454
Depreciation of investment properties	–	–	37,635	37,635
Depreciation of property, plant and equipment	27	130	1,195	1,352
Impairment loss allowance on trade receivables, contract assets and finance lease receivables, net	86	(152)	116	50
At 31 July 2020				
Segment assets	12,368	37,310	224,937	274,615
Unallocated assets				88,547
Consolidated total assets				363,162
Included in segment assets are:				
Additions to non-current assets	–	–	101,560	101,560
Segment liabilities	4,680	22,362	226,784	253,826
Tax payable				4,844
Deferred tax liabilities				2,264
Unallocated liabilities				4,345
Consolidated total liabilities				265,279

6. REVENUE AND SEGMENT INFORMATION – *continued*

Segment reporting – *continued*

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

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

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, investment properties, right-of-use assets, finance lease receivables, goodwill, intangible assets and deposits paid ("**specified non-current assets**"). The geographical location of revenue from customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the assets.

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

Information about major customers

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

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

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

2 Revenue from interior design and decoration work services.

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

7. OTHER INCOME AND GAINS

	2020 HK$'000	2019 HK$'000
Bank interest income	514	64
Gain on disposal of subsidiaries (Note 31(iii))	–	73
Gain on derecognition upon termination of leases of investment properties and lease liabilities, net	268	–
Gain on disposal of property, plant and equipment	98	–
Gain on waiver of the amount due to an individual	–	528
Management fee income (Note 36(a))	660	480
Net foreign exchange gains	107	6
Rent concessions (Note)	1,594	–
Reversal of write-off of trade receivables	–	300
Reversal of impairment loss on deposits paid and other receivables (Note 38(ii))	–	954
Tax relief on value-added tax	828	141
Others	137	192
	4,206	2,738

Note: The amount represents concession rental from the landlords in relation to the compensation of lockdown of the PRC cities due to COVID-19 pandemic for the year ended 31 July 2020. The concession does not constitute to the lease modification by applying practical expedient that meets the conditions in paragraph 46B of HKFRS 16 as disclosed in note 4.8.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 HK$'000	2019 HK$'000
Interest on lease liabilities	16,387	–
Loss on modification of shareholder's loan (Note 26)	2,844	–
Unwinding of imputed interest on loan from a shareholder (Note 26)	1,844	–
	21,075	–

9. PROFIT/(LOSS) BEFORE INCOME TAX

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

	2020 HK$'000	2019 HK$'000
Auditors' remuneration	1,190	820
Amortisation of intangible assets (Note 19)	–	264
Depreciation of property, plant and equipment* (Note 14)	1,455	1,606
Depreciation of investment properties (Note 15)	37,635	–
Depreciation of right-of-use assets (Note 16)	854	–
Sub-contracting costs recognised as an expense	74,864	51,431
Gain on derecognition upon termination of leases of investment properties and lease liabilities, net	(268)	–
Gain on disposal of property, plant and equipment	(98)	–
Write-off of property, plant and equipment (Note 14)	272	–
Loss on derecognition upon termination of leases of finance lease receivables and lease liabilities, net	1,383	–
Loss on deregistration of a subsidiary (Note 31(ii))	–	12
Minimum lease payments under operating lease charges**	–	31,762
Expenses relating to short-term leases#	3,088	–
Employee benefits expense (including directors' emoluments (Note 10))***:		
– Salaries and allowances	11,078	10,504
– Retirement benefit scheme contributions (defined contribution scheme)	473	405
Direct operating expenses (including repairs and maintenance, depreciation of investment properties and depreciation of leasehold improvements) arising on rental-earning subleasing business	47,053	31,061
Other expenses##	2,493	1,050

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

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

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

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

\# Expenses relating to short-term leases of approximately HK$2,232,000 (2019: Nil) and approximately HK$856,000 (2019: Nil) has been included in cost of services and administrative and other expenses respectively.

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

10. DIRECTORS' EMOLUMENTS

(a) Directors' and chief executive's emoluments

The remuneration of each director for the year ended 31 July 2020 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 2020					
Executive directors					
Mr. Lin Ye ("**Mr. Lin**") (Note (i))	–	600	–	18	618
Mr. Au Siu Chung	–	600	–	18	618
Mr. Long Jie (Note (ii))	–	450	–	14	464
Mr. Yuan Shuang Shun	–	582	–	18	600
Ms. Xiao Yi Liao Ge	–	582	–	18	600
Independent non-executive directors					
Ms. Kwong Ka Ki	200	–	–	–	200
Mr. Yu Hua Chang	120	–	–	–	120
Ms. Guo Liying	120	–	–	–	120
	440	2,814	–	86	3,340

10. DIRECTORS' EMOLUMENTS – *continued*

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

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					
Executive directors					
Mr. Lin (Note (i))	–	865	–	–	865
Mr. Au Siu Chung	–	600	50	18	668
Mr. Long Jie (Note (ii))	–	600	–	–	600
Mr. Yuan Shuang Shun	–	582	–	21	603
Ms. Xiao Yi Liao Ge	–	582	–	19	601
Ms. Tong Jiangxia (Note (iii))	–	138	–	5	143
Independent non-executive directors					
Ms. Kwong Ka Ki	200	–	–	–	200
Mr. Yu Hua Chang	120	–	–	–	120
Ms. Guo Liying	120	–	–	–	120
	440	3,367	50	63	3,920

During the year ended 31 July 2020, 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 (2019: Nil). Neither the chief executive nor any of the directors has waived or agreed to waive any emoluments during the year ended 31 July 2020 (2019: 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:

(i) Appointed on 12 October 2018

(ii) Resigned on 1 May 2020

(iii) Resigned on 12 October 2018

10. DIRECTORS' EMOLUMENTS – *continued*

(b) Five highest paid individuals

The five individuals whose emoluments were highest in the Group include four (2019: four) directors whose emoluments are disclosed above. The emoluments payable to the remaining one (2019: one) individual during the year are as follows:

	2020 HK$'000	2019 HK$'000
Short-term benefits:		
Salaries, allowances and benefits in kind	636	600
Post-employment benefits:		
Retirement benefit scheme contributions	21	16
	657	616

The emoluments fell within the following band:

	Number of individuals 2020	2019
Emolument band		
Nil – HK$1,000,000	1	1

During the year ended 31 July 2020, 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 (2019: Nil).

11. INCOME TAX EXPENSE

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

The Group's operations in Hong Kong is subject to Hong Kong Profits Tax at a rate of 8.25% or 16.5% (2019: 8.25% or 16.5%) on the estimated assessable profits for the year after deducting accumulated tax losses brought forward, if any.

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

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

The PRC Enterprise Income Tax (the "**EIT**") is calculated at the rate of 25% prevailing in the PRC jurisdiction for the year ended 31 July 2020 (2019: 25%).

	2020	2019
	HK$'000	HK$'000
Current – PRC EIT		
Charge for the year	**9,509**	2,508
Deferred tax (Note 25)	**(320)**	(66)
Income tax expense	**9,189**	2,442

11. INCOME TAX EXPENSE – *continued*

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

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

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately HK$5,364,000 (2019: approximately HK$4,014,000) in respect of losses amounting to approximately HK$32,511,000 (2019: approximately HK$24,327,000) that can be carried forward against future taxable income. Tax losses may be carried forward indefinitely. Certain amounts of unused tax losses are subject to approval from the Hong Kong Inland Revenue Department.

Other than as disclosed in note 26, the Group does not have deferred income tax assets and liabilities in the consolidated financial statements as the Group did not have other material temporary differences arising between tax bases of assets and liabilities and their carrying amounts as at 31 July 2020 (2019: Nil).

12. EARNINGS/(LOSS) PER SHARE

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

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

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

13. DIVIDENDS

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

The Board did not recommend a payment of final dividend for the year ended 31 July 2020 (2019: Nil). No dividend has been paid or declared by the Company since its incorporation.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost				
At 1 August 2018	1,745	1,748	361	3,854
Additions	1,080	103	–	1,183
Additions through acquisition of a subsidiary (Note 33)	1,236	893	–	2,129
Deregistration of a subsidiary	(26)	(12)	–	(38)
Exchange realignment	11	5	–	16
At 31 July 2019	4,046	2,737	361	7,144
Accumulated depreciation				
At 1 August 2018	1,291	1,018	157	2,466
Charge for the year (Note 9)	1,075	459	72	1,606
Deregistration of a subsidiary	(11)	(7)	–	(18)
Exchange realignment	2	1	–	3
At 31 July 2019	2,357	1,471	229	4,057
Net carrying amount				
At 31 July 2019	1,689	1,266	132	3,087
Cost				
At 1 August 2019	4,046	2,737	361	7,144
Additions	–	103	–	103
Disposal	–	–	(361)	(361)
Disposal of a subsidiary	(752)	–	–	(752)
Written-off	(770)	(796)	–	(1,566)
Exchange realignment	(64)	(24)	–	(88)
At 31 July 2020	**2,460**	**2,020**	**–**	**4,480**
Accumulated depreciation				
At 1 August 2019	2,357	1,471	229	4,057
Charge for the year (Note 9)	976	429	50	1,455
Disposal	–	–	(279)	(279)
Disposal of a subsidiary	(752)	–	–	(752)
Written-off	(770)	(524)	–	(1,294)
Exchange realignment	(17)	(4)	–	(21)
At 31 July 2020	**1,794**	**1,372**	**–**	**3,166**
Net carrying amount				
At 31 July 2020	**666**	**648**	**–**	**1,314**

15. INVESTMENT PROPERTIES

	Leased properties under operating lease HK$'000
Cost	
At 31 July 2019	–
Adjustment upon application of HKFRS 16 (Note 3.1)	116,458
At 1 August 2019	116,458
Additions	28,916
Derecognised upon termination of leases	(9,022)
Exchanged alignment	(3,157)
At 31 July 2020	133,195
Accumulated depreciation	
At 31 July 2019 and 1 August 2019	–
Depreciation for the year (Note 9)	37,635
Derecognised upon termination of leases	(412)
Exchanged alignment	35
At 31 July 2020	37,258
Net carry amount	
At 31 July 2019	–
At 1 August 2019	116,458
At 31 July 2020	**95,937**
Fair value at Level 3 hierarchy	
At 31 July 2019	–
At 1 August 2019	130,889
At 31 July 2020	**120,941**

The Group's investment properties are leased properties in relation to operating lease used in sub-leasing business. Upon the adoption of HKFRS 16, certain of the Group's right-of-use assets, which are used in sub-leasing business, meet the definition of investment properties.

15. INVESTMENT PROPERTIES – *continued*

At 1 August 2019 and 31 July 2020, an independent valuer, an independent qualified professional valuer not connected to the Group which has appropriate professional qualifications and recent experience in the valuations of similar properties in the relevant locations, assessed the fair values which were derived by using income capitalisation method. Income capitalisation method is based on capitalising the rental income derived from the existing tenancies, if any, with due provision for the reversionary potential of each constituent portion of the property at appropriate capitalisation rates.

In estimating the fair value of the investment properties, the highest and best use of the investment properties is their current use.

16. RIGHT-OF-USE ASSETS

	Office premises HK$'000
Cost	
At 31 July 2019	–
Adjustment upon application of HKFRS 16 (Note 3.1)	813
At 1 August 2019	813
Additions	1,662
Disposal of a subsidiary (Note 32(i))	(766)
At 31 July 2020	1,709
Accumulated depreciation	
At 31 July 2019 and 1 August 2019	–
Depreciation for the year (Note 9)	854
Disposal of a subsidiary (Note 32(i))	(300)
At 31 July 2020	554
Net carrying amount	
At 31 July 2019	–
At 1 August 2019	813
At 31 July 2020	**1,155**

16. RIGHT-OF-USE ASSETS – *continued*

	2020
	HK$'000
Expense relating to short-term leases (Note 9)	(3,088)
Leases receipts of finance lease receivables	47,488
Total cash outflow for leases (excluding expense relating to short-term leases)	(79,623)
Total cash inflow of leases receipt under operating lease	47,297

Note:

The Group leases various office premises for its operations. Lease contracts are entered into for fixed term of 6 months to 4 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

17. FINANCE LEASE RECEIVABLES

Certain leased properties under subleases were accounted for as finance leases receivables and have remaining lease terms ranging from 1 to 9 years. Finance lease receivables are comprised of the followings:

	At 31 July 2020 HK$'000	At 1 August 2019 HK$'000
Amounts receivable under finance leases:		
Year 1	52,868	28,342
Year 2	34,248	26,959
Year 3	15,802	16,644
Year 4	4,604	8,439
Year 5 and afterwards	4,082	14,613
Undiscounted lease payments	111,604	94,997
Less: unearned finance income	(13,246)	(16,173)
Present value of lease payments receivable	98,358	78,824
Less: impairment loss allowance (Note 38(ii))	(152)	–
Net investment in the leases	98,206	78,824
Undiscounted lease payments analysed as:		
Recoverable within 12 months	52,868	28,342
Recoverable after 12 months	58,736	66,655
	111,604	94,997
Net investment in the lease analysed as:		
Year 1	52,868	28,342
Less: unearned finance income within 1 year	(7,456)	(3,987)
Recoverable within 12 months	45,412	24,355
Less: impairment loss allowance	(70)	–
	45,342	24,355
Recoverable after 12 months	52,946	54,469
Less: impairment loss allowance	(82)	–
	52,864	54,469

17. FINANCE LEASE RECEIVABLES – *continued*

The Group's finance lease receivables are leased properties in relation to finance lease used in sub-leasing business.

The directors of the Company estimate the loss allowance on finance lease receivables at the end of the reporting period at an amount equal to lifetime ECL. None of the finance lease receivables at the end of the reporting period is past due, and taking into account the historical default experience and the future prospects of the industries in which the lessees operate, the directors of the Company consider that finance lease receivable of approximately HK$152,000 (2019: Nil) is impaired. Details of impairment assessment of finance lease receivables as at report date are set out in note 38(ii).

18. GOODWILL

	2020	2019
	HK$'000	HK$'000
At the beginning of the year	**230**	–
Arising on acquisition of a subsidiary (Note 33)	**–**	230
At the end of the year	**230**	230

Goodwill arose from the acquisition of ZSGT (as defined in note 31) during the year ended 31 July 2019, 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 2020 based on a value-in-use (2019: 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% (2019: 2%). The pre-tax rate used to discount the forecast cash flows is 14.50% (2019: 16.44%). Based on the assessment, no impairment loss was recognised during the year (2019: Nil).

19. INTANGIBLE ASSETS

	Intangible assets related to lease contracts acquired in a business combination HK$'000
Cost	
At 1 August 2018	–
Additions through acquisition of a subsidiary	1,140
Exchange realignment	6
At 31 July 2019	1,146
Adjustment upon application of HKFRS 16 (Note 3.1)	(1,146)
At 1 August 2019 and 31 July 2020	–
Accumulated amortisation	
At 1 August 2018	–
Amortisation for the year (Note 9)	264
At 31 July 2019 and 1 August 2019	264
Adjustment upon application of HKFRS 16 (Note 3.1)	(264)
At 1 August 2019 and 31 July 2020	–
Net carrying amount	
At 31 July 2019	882
At 1 August 2019	–
At 31 July 2020	**–**

19. INTANGIBLE ASSETS – *continued*

As at 31 July 2019, the intangible assets related to lease contracts acquired have finite useful lives. Such intangible assets were amortised on a straight-line basis over the remaining life of the lease contracts.

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

Upon the adoption of HKFRS 16, an opening adjustment as at 1 August 2019 was made to reclassify intangible assets to investment properties as disclosed in note 3.1.

20. TRADE RECEIVABLES AND CONTRACT ASSETS

	2020 HK$'000	2019 HK$'000
Trade receivables (Note (a))	22,423	21,953
Less: Allowance for credit losses (Note 38(ii))	(762)	(875)
	21,661	21,078
Contract assets (Note (b))	22,769	18,441
Less: Allowance for credit losses (note 38(ii))	(118)	(107)
	22,651	18,334
Total	44,312	39,412

20. TRADE RECEIVABLES AND CONTRACT ASSETS – *continued*

Notes:

(a) Trade receivables

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

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

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

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

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

Trade receivables that were past due but not impaired related to customers that had a good track record of credit with the Group with no history of default in the past. Details of impairment assessment of trade receivables as at report date are set out in note 38(ii).

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

20. TRADE RECEIVABLES AND CONTRACT ASSETS – *continued*

Notes: – *continued*

(b) Contract assets

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

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

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

Details of impairment assessment of contract assets as at report date are set out in note 38(ii).

21. PREPAYMENTS, DEPOSITS PAID AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Current		
Prepayments (Note (a))	**12,641**	12,584
Deposits paid	**2,142**	1,413
Other receivables (Note (b))	**959**	6,816
	15,742	20,813
Less: Provision for impairment (Note 38(ii))	**–**	(326)
	15,742	20,487
Non-current		
Deposits paid (Note (c))	**21,935**	12,330
Total	**37,677**	32,817

Notes:

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

At 31 July 2020, balance also includes an amount of approximately HK$9,392,000 (2019: approximately HK$5,265,000) which relates to prepaid costs to certain sub-contractors in relation to the contracts for contracting and interior design and decoration works entered into by the Group, which would be utilised as sub-contracting costs incurred within the next financial year.

(b) As at 31 July 2019, balance amounting to approximately HK$480,000 is arisen from provision of management services to Mr. Lin, a director and shareholder of the Company, which had been fully settled during the year. This balance was unsecured, interest-free and repayable on demand.

As at 31 July 2019, balance amounting to approximately HK$2,656,000 is arisen from payments made on behalf of a major sub-contractor, which is an independent third party, for the progress billings from its vendors under contracting services. This other receivable was fully refunded to the Group during the year.

As at 31 July 2019, balance amounting to approximately HK$2,150,000 related to the compensation on the poor performance works by the sub-contractor, which is an independent third party, whereby the Group incurred additional costs for rectification works under contracting services. This other receivable was fully repaid to the Group during the year.

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

Details of impairment assessment of deposits paid and other receivables as at report date are set out in note 38(ii).

22. RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

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

Notes:

On 11 October 2019, the Group received an amount of HK$30,000,000 regarding to a loan from a shareholder (Note 26), which is restricted to be used in the purpose of financing the Company's potential acquisition of an office premise in Hong Kong and its related expenses, and provide extra assurance for the Profit Guarantee (as defined in Note 26).

After assessment of the internal resources of the Group, the directors of the Company consider that it would be sufficient for the Group to apply half amount of the loan from a shareholder for the development of the Group's subleasing business. As such, on 3 April 2020, the Company repaid HK$15,000,000 to Mr. Lin. Mr. Lin consented to and the Company released the remaining restricted cash for development of the Group's subleasing business (Note 26).

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

As at 31 July 2020, there is an outstanding arbitration commenced by two sub-constructors (2019: Nil) against the subsidiary in the PRC of the Group claiming construction fees, together with the late payments, and unilateral termination of contracts, totaling approximately RMB6,471,200 (equivalent to approximately HK$7,159,000) (2019: Nil). The restricted cash of the Group of approximately HK$1,635,000 (2019: Nil) which had already been frozen by judicial freezing. Details of the arbitration are set out in note 35.

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

Notes: – *continued*

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

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

As at 31 July 2020, included in cash and cash equivalents of the Group is approximately HK$41,034,000 (2019: HK$28,120,000) of cash at banks and bank deposits denominated in RMB placed with the banks in the PRC. RMB is not a freely convertible currency; however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through the banks authorised to conduct foreign exchange business in the PRC.

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

Details of impairment assessment as at report date are set out in note 38(ii).

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

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

Notes:

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

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

(b) As at 31 July 2020, balance amounting to approximately HK$2,876,000 (2019: Nil) arose from the deposit received from the customer in relation to the guarantee on the indemnity of the Arbitration as disclosed in note 35.

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

23. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED – *continued*

Notes: – *continued*

(c) Other payables include the balance amounting to approximately HK$1,000,000 as at 31 July 2019 which was advanced from Mr. Yeung Wing Yan, who is a director of a subsidiary of the Company and he has been also appointed as a chief operating officer of the Company on 11 June 2019. This balance was unsecured, interest-free and repayable on demand. The balance was fully settled during the year ended 31 July 2020.

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

Movements in contract liabilities

	2020 **HK$'000**	2019 HK$'000
At the beginning of the year	**1,392**	870
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(1,392)**	(870)
Increase of receipts in advance from customers	**430**	1,384
Exchange realignment	**–**	8
At the end of the year	**430**	1,392

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

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

24. LEASE LIABILITIES

The following table shows the remaining contractual matures of the Group's lease liabilities at the end of current year and at the date of transition to HKFRS 16:

	At 31 July 2020		At 1 August 2019	
	Total minimum lease payments HK$'000	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000	Present value of the minimum lease payments HK$'000
Within one year	86,105	72,179	58,610	44,908
After one year but within two years	66,608	59,534	62,751	52,417
After two years but within five years	49,059	43,544	83,210	71,700
After five years	7,747	7,104	17,616	15,073
	209,519	182,361	222,187	184,098
Less: total future interest expenses	(27,158)		(38,089)	
Present value of lease liabilities	182,361		184,098	
Less: Portion classified as current	(72,179)		(44,908)	
Non-current portion	110,182		139,190	

Note:

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 August 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 July 2019 has not been restated. Further details on the impact of the transition to HKFRS 16 are set out in note 3.1.

25. DEFERRED TAX LIABILITIES

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

	Leases HK$'000	Fair value arising from business combination HK$'000	Total HK$'000
At as 1 August 2018	–	–	–
Additions through acquisition of a subsidiary	–	285	285
Credited to consolidated profit or loss	–	(66)	(66)
Exchange realignment	–	1	1
At 31 July 2019	–	220	220
Initial application of HKFRS 16 (Note 3.1)	2,438	–	2,438
At 1 August 2019	2,438	220	2,658
Credited to consolidated profit or loss (Note 11)	(231)	(89)	(320)
Exchange realignment	(67)	(7)	(74)
At 31 July 2020	**2,140**	**124**	**2,264**

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 earnings of the PRC subsidiaries amounting to approximately HK$27,581,000 (2019: approximately HK$4,220,000) 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.

26. LOAN FROM A SHAREHOLDER

On 11 October 2019, Mr. Lin, who is a director and single largest shareholder with approximate 28.22% equity interest of the Company as at 31 July 2020, signed a letter of profit guarantee (the "**Profit Guarantee**") in favour of the Company pursuant to which Mr. Lin irrevocable warranted and guaranteed that (i) the audited consolidated earnings before interest, taxes, depreciation and amortisation (the "**EBITDA**") of the Group for the financial year ending 31 July 2020 would be not less than HK$13,800,000; and (ii) the audited consolidated EBITDA of the Group for the financial year ending 31 July 2021 would be not less than HK$13,800,000.

To provide extra assurance for the Profit Guarantee, on 11 October 2019, the Company as borrower and Mr. Lin as the lender entered into a loan agreement (the "**Loan Agreement**") pursuant to which Mr. Lin agreed to grant a loan to the Company in the principal amount of HK$30,000,000 (the "**Loan**"). If Mr. Lin is obliged under the Profit Guarantee to compensate the Company for any shortfall, the Company is entitled to set off part of the principal amount of the Loan against the compensation (if any).

On 11 October 2019, the Loan is (i) interest free and unsecured; (ii) repayable within five business days after the publication by the Company of the annual results announcement for the financial year ending 31 July 2021; (iii) for the purpose of financing the Company's potential acquisition of an office premise in Hong Kong and its related expenses; and (iv) to provide extra assurance for the Profit Guarantee.

Given the changes in economic environment, in particular the social unrest in Hong Kong recently, the Group was able to identify an office premise with relatively low leasing fee, and after cost analysis, the Directors of the Company considered renting an office premise was better off than acquiring an office premises, and during the year ended 31 July 2020, the Group has moved to a newly leased office in Wanchai. It was the Group's intention that the Loan would be applied for the development of the Group's subleasing business, in particular to pay for the initial cost for entering into future head lease, as well as the payment for monthly leasing fee in the event the newly leased property could not be sub-leased within the relevant rent free period.

26. LOAN FROM A SHAREHOLDER – *continued*

After assessment of the internal resources of the Group, the directors of the Company consider that it would be sufficient for the Group to apply half amount of the Loan for the development of the Group's subleasing business. As such, on 3 April 2020, the Company repaid HK$15,000,000 to Mr. Lin. Mr. Lin consented to and the Company applied the remaining amount of the Loan for the development of the Group's subleasing business. To secure and provide extra assurance for the Profit Guarantee, Mr. Lin placed a cheque in the amount of HK$15,000,000 with the Company's solicitors in escrow such that if Mr. Lin is obliged under the Profit Guarantee to compensate the Company for any shortfall, the Company is entitled to set off the principal amount of the Loan against the compensation and/or apply the cheque for compensation. Movement has shown as below:

	HK$'000
At 31 July 2019 and 1 August 2019	–
Proceeds from shareholder's loan	30,000
Discount at inception	(6,565)
Repayment to a shareholder	(15,000)
Loss on modification of shareholder's loan (Note 9)	2,844
Unwinding of imputed interest (Note 9)	1,844
At 31 July 2020	**13,123**

The discount of the loan from a major shareholder in his capacity as a shareholder at inception is recognised as deemed capital contribution in other reserves in the equity of the Group. The corresponding unwinding of imputed interest is recognised as finance costs (Note 8) in the consolidated statement of profit or loss of the Group. The effective interest rate at 12.39% for imputed interest expense for the Loan is determined initially based on the unsecured cost-of-funds of the Group per annum. Due to the early repayment of HK$15,000,000 to Mr. Lin on 3 April 2020, contractual terms of shareholder's loan is modified such that the revised terms would result in a substantial modification from the original terms, such modification is accounted for as derecognition of the Loan and the recognition of new shareholder's loan. The new effective interest rate at 10.96% on 3 April 2020 for imputed interest expense for the new shareholder's loan is determined based on the unsecured cost-of-funds of the Group per annum.

27. SHARE CAPITAL

	Number of ordinary shares '000	Ordinary shares HK$'000
Ordinary shares of HK$0.01 each:		
Authorised:		
As at 1 August 2018, 31 July 2019, 1 August 2019 and 31 July 2020	**2,000,000**	**20,000**
Issued and fully paid:		
As at 1 August 2018, 31 July 2019, 1 August 2019 and 31 July 2020	**411,200**	**4,112**

28. 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.

28. SHARE OPTION SCHEME – *continued*

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.

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).

28. SHARE OPTION SCHEME – *continued*

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 2020 (2019: No).

29. 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 4.14.

(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.

29. RESERVES – *continued*

Other reserves – *continued*

(iv) Other reserve

On 10 October 2019, the shareholder's loan of aggregated amount of HK$30,000,000 was advanced from a shareholder of the Company. The shareholders' loan is unsecured, interest-free and will be repayable within five business days after the publication of the Company of the annual results announcement for the financial year ending 31 July 2021. The shareholder's loan is discounted at inception as detailed in note 26. The difference between the principal amount and discounted amount at the drawdown date was deemed as capital contribution from the shareholder to the Company and recognised in other reserve.

	Merger reserve	Exchange fluctuation reserve	Statutory reserve	Other reserve	Retained earnings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
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 statutory reserve	–	–	430	–	(430)	–
At 31 July 2019	(494)	88	430	–	45,305	45,329
Impact on initial application of HKFRS 16 (Note 3.1)	–	–	–	–	7,314	7,314
Adjusted balance at 1 August 2019	(494)	88	430	–	52,619	52,643
Profit for the year	–	–	–	–	11,650	11,650
Other comprehensive loss for the year						
Exchange differences on translation of financial statements of foreign operations	–	(731)	–	–	–	(731)
Total comprehensive loss/(income) for the year	–	(731)	–	–	11,650	10,919
Transfer to statutory reserve	–	–	2,900	–	(2,900)	–
Deemed capital contribution arising from non-current interest-free shareholder's loan	–	–	–	6,565	–	6,565
At 31 July 2020	(494)	(643)	3,330	6,565	61,369	70,127

30. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2020 HK$'000	2019 HK$'000
Profit/(loss) before income tax	20,952	(1,209)
Adjustments for:		
Amortisation of intangible assets	–	264
Depreciation of investment properties	37,635	–
Depreciation of property, plant and equipment	1,455	1,606
Depreciation of right-of-use assets	854	–
Finance costs	21,075	–
Gain on derecognition upon termination of leases of investment properties and lease liabilities, net	(268)	–
Gain on disposal of property, plant and equipment	(98)	–
Rent concessions	(1,594)	–
Write-off of property, plant and equipment	272	–
Loss on derecognition upon termination of leases of finance lease receivables and lease liabilities, net	1,383	–
Impairment loss allowance of trade receivables, contract assets and finance lease receivables, net	50	811
Gain on disposal of subsidiaries	–	(73)
Reversal of impairment loss on deposits paid and other receivables	–	(954)
Reversal of write-off of trade receivables	–	(300)
Loss on deregistration of a subsidiary	–	12
Interest income	(514)	(64)
Operating profit before working capital changes	81,202	93
Increase in contract assets	(4,328)	(14,998)
Increase in trade receivables	(2,193)	(11,802)
Decrease in finance lease receivables	27,334	–
Increase in prepayment, deposits paid and other receivables	(10,915)	(11,726)
Increase in trade and other payables and deposits received	787	46,244
(Increase)/decrease in contract liabilities	(962)	522
Increase in restricted cash	(1,635)	–
Net cash generated from operations	89,290	8,333

30. 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	Lease liabilities	Loan from a shareholder	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 August 2018	–	–	–	–
Changes from financing activities:				
Advance from a related party	1,000	–	–	1,000
Total changes from financing cash flows	1,000	–	–	1,000
At 31 July 2019	1,000	–	–	1,000
Impact on initial application of HKFRS 16 (note 3.1)	–	184,098	–	184,098
At 1 August 2019	1,000	184,098	–	185,098
Changes from financing activities:				
Payment of principal portion of lease liabilities	–	(63,236)	–	(63,236)
Payment of interest portion of lease liabilities	–	(16,387)	–	(16,387)
Release of restricted cash	–	–	15,000	15,000
Repayment to a related party	(1,000)	–	–	(1,000)
Total changes from financing cash flows	(1,000)	(79,623)	15,000	(65,623)
Other changes				
Additions of lease liabilities	–	87,950	–	87,950
Derecognition upon termination of lease of investment properties and lease liabilities	–	(19,309)	–	(19,309)
Disposal of a subsidiary (Note 32(i))	–	(466)	–	(466)
Rent concessions (Note 7)	–	(1,594)	–	(1,594)
Interest on lease liabilities	–	16,387	–	16,387
Discount at inception of loan from a shareholder	–	–	(6,565)	(6,565)
Loss on modification of shareholder's loan	–	–	2,844	2,844
Unwinding of imputed interest on loan from a shareholder	–	–	1,844	1,844
Exchange realignment	–	(5,082)	–	(5,082)
Total other changes	–	77,886	(1,877)	76,009
At 31 July 2020	**–**	**182,361**	**13,123**	**195,484**

31. SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 July 2020 and 2019:

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	
				2020	2019
Directly held					
KSL Enterprises Limited	BVI, limited liability company	Investment holding in Hong Kong	United 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, interior design and decoration 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%
Holy Charm Limited (Note 32(i))	Hong Kong, limited liability company	Provision of administrative and management services in Hong Kong	HK$1	**–**	100%
New Brio Engineering Limited ("**NBE**") (Note (i))	Hong Kong, limited liability company	Provision of contracting and interior design and decoration services in Hong Kong	HK$1,000,000	**51%**	51%
Shenzhen Zhongshenguotou Assets Management Company Limited# (深圳中深國投資產管理有限公司) ("**ZSGT**") (Note 33)	PRC, limited liability company	Provision of interior design and decoration services and property sub-leasing in the PRC	RMB10,000,000	**100%**	100%
Shenzhen Fuqingyuan Technology Limited# (深圳市福清源科技有限公司) ("**Fuqingyuan**")	PRC, limited liability company	Investment holding in the PRC	RMB5,000,000	**100%**	100%

For identification purpose only

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

	NBE	
	2020	2019
	HK$'000	HK$'000
NCI percentage	**49%**	49%
As at 31 July		
Non-current assets	**–**	421
Current assets	**4,374**	45,643
Current liabilities	**(5,904)**	(47,824)
Net liabilities	**(1,530)**	(1,760)
For the year ended 31 July		
Revenue	**17,946**	44,338
Profit before income tax	**230**	313
Income tax expense	**–**	–
Other comprehensive income	**–**	–
Total comprehensive income	**230**	313
Total comprehensive income allocated to NCI	**113**	153
Cash flows from operating activities	**7,154**	(5,979)
Cash flows from investing activities	**55**	(55)
Cash flows from financing activities	**(7,011)**	4,390
Net cash outflows	**198**	(1,644)

31. SUBSIDIARIES – *continued*

Notes: – *continued*

(ii) Focus Business Consultants Limited has completed the process for its de-registration 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	20
Non-controlling interests at the date of deregistration	(8)
Loss on deregistration of a subsidiary	12

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

(iii) During the year ended 31 July 2019, the Group disposed of all equity interest in Harvest Group Holdings Limited ("**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 to an independent third party. The disposal was completed on 12 October 2018 ("**disposal date**"), 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. Harvest Group and its' subsidiaries have material NCI before the disposal. Summarised financial information in relation to Harvest Group and its subsidiaries for the period up to disposal date, before intra-group eliminations, is presented below:

31. SUBSIDIARIES – *continued*

Notes: – *continued*

(iii) – *continued*

	Harvest Group and its subsidiaries HK$'000
NCI percentage	49%
As at disposal date	
Current assets	203
Other current liabilities	(300)
Net liabilities	(97)
For the period up to disposal date	
Revenue	–
Profit before income tax#	5,965
Income tax expense	–
Other comprehensive income	–
Total comprehensive income	5,965
Total comprehensive income allocated to NCI	2,923
Cash flows from operating activities	804
Cash flows from investing activities	(1,012)
Cash flows from financing activities	–
Net cash outflows	(208)

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.

32. DISPOSAL OF A SUBSIDIARY

(i) Holy Charm Limited

On 5 February 2020, the Group entered into the share purchase agreement to dispose of its entire equity interest in Holy Charm Limited with a consideration of HK$1,000 to an independent party. The net carrying amounts of assets/(liabilities) of Holy Charm Limited as at the completion date of the disposal are as follows:

	HK$'000
Right-of-use assets (Note 16)	466
Deposits	193
Cash and cash equivalents	8
Accruals	(200)
Lease liabilities	(466)
Net assets disposed of	1
Gain on disposal of a subsidiary	–
Total cash consideration received	1
Net cash outflow arising on disposal:	
Cash consideration	1
Cash and cash equivalents disposed of	(8)
	(7)

32. DISPOSAL OF A SUBSIDIARY – *continued*

(ii) Harvest Group and its 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	(300)
Net assets disposed of	(97)
NCI at the date of disposal	31
Gain on disposal of subsidiaries	73
Total cash consideration received	7
Net cash inflow arising on disposal:	
Cash consideration	7
Cash and cash equivalents disposed of	(5)
	2

33. 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 steam, diversify the Group's business segments of interior design and decoration works by entering into the PRC market and engage in the business of the provision of property sub-leasing in the PRC which can improve the Group's revenue and results. The Acquisition was completed on 8 November 2018.

33. 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 (Note (a))	2,129
Intangible assets (Note (a))	1,140
Trade receivables	433
Prepayments, deposits paid and other receivables (Note (b))	17,322
Cash and cash equivalents	2,197
Trade payables	(65)
Other payables and accruals and deposits received	(11,453)
Deferred tax liabilities	(285)
Total identifiable net assets at fair value	11,418
Goodwill (Note (c))	230
	11,648
Cash consideration	11,648
Bank balances and cash in subsidiary acquired	(2,197)
Net cash outflow on the Acquisition	9,451
Acquisition-related costs (included in administrative and other operating expenses)	120

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.

33. 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 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.

34. COMMITMENTS

(a) Capital commitment

The registered capital of Fuqingyuan is RMB5,000,000. The Group committed at 31 July 2020 to invest in Fuqingyuan, a wholly-owned subsidiary, amounting to RMB5,000,000 (equivalent to approximately HK$5,532,000) (2019: RMB5,000,000 (equivalent to approximately HK$5,556,000)).

(b) Operating lease commitments – Group as lessee

At 31 July 2019, the Group leases certain of the office properties, office equipment and commercial properties for sub-leasing (see (b) section below) under operating lease arrangements. Leases for the properties are negotiated for terms ranging from 6 months to 10 years.

At 31 July 2019, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2019 HK$'000
Within one year	65,828
In the second to fifth years, inclusive	144,590
After five years	17,616
	228,034

34. COMMITMENTS – *continued*

(b) Operating lease commitments – Group as lessee – *continued*

The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 August 2019 to recognise lease liabilities relating to these leases (Note 3.1). From 1 August 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 3.1, and the details regarding the Group's future lease payments are disclosed in note 24.

(c) Sub-leasing arrangements – Group as intermediate lessor

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

Arrangement for sub-leasing to external tenants are negotiated for terms ranging from 3 months to 6 years (2019: 1 to 7 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:

	2020 HK$'000	2019 HK$'000
Within one year	45,773	61,615
In the second to fifth years, inclusive	37,685	97,469
After five years	–	9,583
	83,458	168,667

35. CONTINGENT LIABILITIES

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

On 1 June 2020, the Subsidiary has entered into a supplemental agreement with the customer (the "**Supplemental Agreement**") of the period under Arbitration. The customer irrevocably and unconditionally agreed and undertook to fully indemnify the Subsidiary for all possible losses and responsibilities that may be incurred or suffered by the Subsidiary under the Arbitration. During the year ended 31 July 2020, the customer has deposited the amount of RMB2,600,000 (equivalent to approximately HK$2,876,000) to the Group as the guarantee on the indemnity as disclosed in note 23(b). The Company is advised by its PRC legal adviser that (i) the Supplemental Agreement is legal, valid, binding to the parties thereto and not in contravention of the laws of the PRC; (ii) the customer should bear all the responsibilities under the Arbitration; and (iii) upon the customer having fulfilled all its obligations and responsibilities resulting from the Arbitration, the Subsidiary can apply to release the assets in its frozen bank account. For further details of the Arbitration, please refer to the announcement of the Company dated 10 June 2020.

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

36. 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$660,000 (2019: HK$480,000) derived from Mr. Lin for rendering administrative and accounting services as disclosed in note 7.

(b) Amount of HK$1,000,000 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, and the balance was fully settled during the year ended 31 July 2020, are disclosed in note 23.

(c) The emoluments of the directors and senior executives (representing the key management personnel) during the year are disclosed in note 10.

(d) Details of Profit Guarantee and interest-free loan advanced from a shareholder, Mr. Lin, is disclosed in note 26.

37. FINANCIAL INSTRUMENTS BY CATEGORY

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets measured at amortised cost		
– Trade receivables	21,661	21,078
– Deposits paid and other receivables	25,036	20,233
– Finance lease receivables	98,206	–
– Restricted cash	1,635	–
– Cash and cash equivalents	82,696	65,518
	229,234	106,829
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables and deposits received	58,129	57,715
Lease liabilities	182,361	–
Loan from a shareholder	13,123	–
	253,613	57,715

38. 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 balances are not expected to change significantly.

The Group had no variable-rate borrowings as at 31 July 2019 and 2020.

(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, finance lease receivables, deposits paid and other receivables, restricted cash and cash and cash equivalents, with a maximum exposure equal to the carrying amounts of these assets.

The credit risk on restricted cash and 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.

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

(ii) Credit risk and impairment assessment – *continued*

Impairment of financial assets

The Group has three types of financial assets that are subject to the ECL model:

– trade receivables and contract assets arising from contracts with customers;

– finance lease receivables; and

– deposits paid and other receivables.

While restricted cash and cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables, contract assets and finance lease receivables

The Group applies HKFRS 9 and measures ECL based on a lifetime expected loss allowance for all trade receivables, contract assets and finance lease receivables.

The Group uses provision matrix to calculate ECL for trade receivables, contract assets and finance lease receivables. To measure the ECL, trade receivables, contract assets and finance lease receivables 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 under interior design and decoration work business are a reasonable approximation of the loss rates for the contract assets. The Group's finance lease receivables are leased properties in relation to finance lease used in sub-leasing business which have substantially the same risk characteristics as the trade receivables under the sub-leasing contracts. The Group has also concluded that the expected loss rates for trade receivables on sub-leasing business are a reasonable approximation of the loss rates for the finance lease receivables.

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.

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

(ii) Credit risk and impairment assessment – *continued*

Impairment of financial assets – continued

Trade receivables, contract assets and finance lease receivables – *continued*

On that basis, the loss allowance as at 31 July 2020 and 2019 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 due date				
As at 31 July 2020				
Neither past due nor impaired	1.8%	5,177	(91)	5,086
Past due for less than 1 month	0.2%	16,320	(39)	16,281
Past due for more than 1 month but less than 2 months	1.8%	55	(1)	54
Past due for more than 2 months but less than 3 months	1.8%	55	(1)	54
Past due for more than 3 months but less than 1 year	N/A	36	–	36
Past due for more than 1 year	80.8%	780	(630)	150
		22,423	(762)	21,661

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

(ii) Credit risk and impairment assessment – *continued*

Impairment of financial assets – continued

Trade receivables, contract assets and finance lease receivables – *continued*

	Expected loss rate	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Ageing based on the due date				
As at 31 July 2019				
Past due for less than 1 month	0.9%	7,096	(64)	7,032
Past due for more than 1 month but less than 2 months	1.0%	2,181	(21)	2,160
Past due for more than 2 months but less than 3 months	0.7%	600	(4)	596
Past due for more than 3 months but less than 1 year	4.0%	5,787	(234)	5,553
Past due for more than 1 year	8.8%	6,289	(552)	5,737
		21,953	(875)	21,078

Decrease in loss allowance during the year is due to certain debtors have settled the long aged trade receivables during the year.

On that basis, the loss allowance as at 31 July 2020 and 2019 was determined as follows for contract assets and finance lease receivables:

	Expected loss rate	**Gross carrying amount** HK$'000	**Loss allowance** HK$'000	**Net carrying amount** HK$'000
Contract assets				
As at 31 July 2020	**0.5%**	**22,769**	**(118)**	**22,651**
As at 31 July 2019	0.6%	18,441	(107)	18,334
Finance lease receivables				
As at 31 July 2020	**0.2%**	**98,358**	**(152)**	**98,206**
As at 1 August 2019	N/A	78,824	–	78,824

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

(ii) Credit risk and impairment assessment – *continued*

Impairment of financial assets – continued

Trade receivables, contract assets and finance lease receivables – *continued*

The movements of loss allowances for trade receivables, contract assets and finance lease receivables are as follows:

	Trade receivables HK$'000	Contract assets HK$'000	Finance lease receivables HK$'000	Total HK$'000
At 1 August 2018	169	2	–	171
Increase in loss allowance recognised in consolidated profit or loss during the year	706	105	–	811
At 31 July 2019 and 1 August 2019	875	107	–	982
(Decrease)/increase in loss allowance recognised in consolidated profit or loss during the year	(113)	11	152	50
At 31 July 2020	**762**	**118**	**152**	**1,032**

Trade receivables, contract assets and finance lease receivables are written off when there is no reasonable expectation of recovery. During the year ended 31 July 2020 and 2019, there is no 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.

38. 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 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 2020 as follows:

	Deposits paid and other receivables HK$'000
At 1 August 2018	326
Additions through acquisition of a subsidiary	951
Reversal of impairment loss upon settlement of deposits paid and other receivables	(954)
Exchange realignment	3
At 31 July 2019 and 1 August 2019	326
Disposal of subsidiaries	(326)
At 31 July 2020	**–**

38. 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
At 31 July 2020							
Trade and other payables and deposits received	39,446	11,627	6,751	305	58,129	–	58,129
Lease liabilities	86,105	66,608	49,059	7,747	209,519	(27,158)	182,361
Loan from a shareholder	–	15,000	–	–	15,000	(1,877)	13,123
	125,551	93,235	55,810	8,052	282,648	(29,035)	253,613
At 31 July 2019							
Trade and other payables and deposits received	45,018	2,276	9,665	756	57,715	–	57,715

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 loan from a shareholder less cash and cash equivalents, share capital and reserves, as disclosed in notes 22, 26, 27 and 29, respectively.

38. 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 directors of the Company have assessed that the fair value of financial assets and financial liabilities, including restricted cash, cash and cash equivalents, trade receivables and contract assets, deposits paid and other receivables, trade and other payables and deposit received, approximate to their carrying amounts largely due to the short term maturities of these financial instruments.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

39. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2020 HK$'000	2019 HK$'000
Non-current asset		
Investments in subsidiaries	42,790	42,790
Current assets		
Other receivables	138	544
Amount due from a director	–	480
Amounts due from subsidiaries	8,763	3,192
	8,901	4,216
Current liabilities		
Other payables	1,335	932
Amounts due to subsidiaries	22,171	31,529
	23,506	32,461
Net current liabilities	(14,605)	(28,245)
Total assets less current liabilities	28,185	14,545
Non-current liability		
Loan from a shareholder	13,123	–
Net assets	15,062	14,545
Equity		
Share capital	4,112	4,112
Reserves (Note 39(b))	10,950	10,433
Total equity	15,062	14,545

The statement of financial position of the Company was approved and authorised for issue by the Board of Directors on 28 September 2020 and signed on its behalf by:

Mr. Yuan Shuang Shun	**Mr. Au Siu Chung**
Director	*Director*

39. 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 (Note)	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
At 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 and 1 August 2019	24,394	42,276	–	(56,237)	10,433
Loss and total comprehensive loss for the year	–	–	–	(6,048)	(6,048)
Deemed capital contribution arising from non-current interest-free shareholder's loan	–	–	6,565	–	6,565
At 31 July 2020	24,394	42,276	6,565	(62,285)	10,950

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 2020

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:

	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Revenue	**188,422**	103,165	37,240	47,399	124,799
Cost of services	**(129,927)**	(85,489)	(33,622)	(33,940)	(92,435)
Gross profit	**58,495**	17,676	3,618	13,459	32,364
Other income and gains	**4,206**	2,738	4,784	3,058	3,726
Fair value changes on financial assets at fair value through profit or loss	**–**	–	(2,915)	(1,749)	–
Administrative and other operating expenses	**(20,624)**	(20,812)	(23,653)	(25,953)	(18,219)
Impairment loss allowance on trade receivables, contract assets and finance lease receivables, net	**(50)**	(811)	(17)	(646)	–
Operating profit/(loss)	**42,027**	(1,209)	(18,183)	(11,831)	17,871
Finance costs	**(21,075)**	–	–	–	(3)
Profit/(loss) before income tax	**20,952**	(1,209)	(18,183)	(11,831)	17,868
Income tax expense	**(9,189)**	(2,442)	(490)	(578)	(3,198)
Profit/(loss) for the year	**11,763**	(3,651)	(18,673)	(12,409)	14,670
Other comprehensive (loss)/income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of financial statements of foreign operations	**(731)**	88	–	–	–
Other comprehensive (loss)/income for the year	**(731)**	88	–	–	–
Total comprehensive income/(loss) for the year, net of income tax	**11,032**	(3,563)	(18,673)	(12,409)	14,670
Profit/(loss) for the year attributable to:					
Owners of the Company	**11,650**	(7,051)	(14,651)	(11,387)	14,722
Non-controlling interests	**113**	3,400	(4,022)	(1,022)	(52)
Profit/(loss) for the year	**11,763**	(3,651)	(18,673)	(12,409)	14,670
Total comprehensive income/(loss) for the year attributable to:					
Owners of the Company	**10,919**	(6,963)	(14,651)	(11,387)	14,722
Non-controlling interests	**113**	3,400	(4,022)	(1,022)	(52)
Total comprehensive income/(loss) for the year	**11,032**	(3,563)	(18,673)	(12,409)	14,670
Assets and liabilities					
Total assets	**363,162**	141,946	85,562	100,625	121,171
Total liabilities	**(265,279)**	(68,974)	(8,553)	(4,943)	(13,480)
Net assets	**97,883**	72,972	77,009	95,682	107,691
Equity attributable to owners of the Company	**98,633**	73,835	81,211	95,862	107,249
Non-controlling interests	**(750)**	(863)	(4,202)	(180)	442