CHINA ALL NATION INTERNATIONAL HOLDINGS GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8170

2020/21

INTERIM REPORT

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

This report, for which the directors (the "**Directors**") of China All Nation International Holdings Group Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

BOARD OF DIRECTORS

Executive Directors:

Mr. Lin Ye *(Chairman)*
Mr. Au Siu Chung *(Compliance Officer)*
Ms. Xiao Yi Liao Ge
Mr. Yuan Shuang Shun
(resigned with effect from 10 February 2021)

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. Lin Ye
(appointed with effect from 10 February 2021)
Mr. Au Siu Chung
Mr. Yuan Shuang Shun
(resigned with effect from 10 February 2021)

INDEPENDENT AUDITOR

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

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
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Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
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Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

DBS Bank (Hong Kong) Limited
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Central, Hong Kong

COMPANY WEBSITE

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

STOCK CODE

08170

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS FOR THE SIX MONTHS ENDED 31 JANUARY 2021

- The Group's revenue amounted to approximately HK$88.3 million for the six months ended 31 January 2021 (the "**Relevant Period**"), representing an increase of approximately HK$8.2 million or approximately 10.2% as compared to the six months ended 31 January 2020.

- The profit attributable to owners of the Company is approximately HK$5.2 million for the Relevant Period, representing an increase of approximately HK$0.7 million or approximately 14.5% as compared to the six months ended 31 January 2020, which is mainly due to the increase in revenue derived from the sub-leasing as well as interior design services and decoration businesses of the Group during the Relevant Period.

- The Board does not recommend the payment of dividend for the Relevant Period.

MOORE

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大華馬施雲
會計師事務所有限公司

To the Board of Directors of
China All Nation International Holdings Group Limited
(Incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed 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 7 to 37, which comprise the condensed consolidated statement of financial position as at 31 January 2021, and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The GEM Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on condensed consolidated interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing ("**HKSAs**") and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

OTHER MATTER

The condensed consolidated statement of profit or loss and other comprehensive income of the Group and the comparative information for the three months ended 31 January 2021 were unaudited and not reviewed and the comparative information of condensed consolidated financial statements of the Group for the six months ended 31 January 2021, and the relevant notes to these condensed consolidated financial statements were audited on a voluntary basis.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Moore Stephens CPA Limited
Certified Public Accountants

Hung, Wan Fong Joanne
Practising Certificate Number: P05419

Hong Kong, 12 March 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 January 2021

	Notes	Three months ended 31 January		Six months ended 31 January	
		2021	2020	**2021**	2020
		HK$'000	HK$'000	**HK$'000**	HK$'000
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
Revenue	4	**36,226**	42,712	**88,257**	80,080
Cost of services		**(26,118)**	(27,123)	**(63,721)**	(52,718)
Gross profit		**10,108**	15,589	**24,536**	27,362
Other income and gains	5	**1,753**	617	**2,800**	1,282
Administrative and other operating expenses		**(4,254)**	(5,332)	**(9,770)**	(10,508)
Impairment loss allowance on trade receivables, contract assets and finance lease receivables, net		**(748)**	(529)	**(748)**	(1,191)
Finance costs	6	**(4,284)**	(3,544)	**(8,645)**	(8,083)
Profit before income tax	7	**2,575**	6,801	**8,173**	8,862
Income tax expense	8	**(1,001)**	(2,835)	**(3,021)**	(4,145)
Profit for the period		**1,574**	3,966	**5,152**	4,717
Other comprehensive income/(loss) for the period					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of financial statements of foreign operations		**4,149**	(268)	**6,626**	(758)
Total comprehensive income for the period, net of income tax		**5,723**	3,698	**11,778**	3,959
Profit/(loss) for the period attributable to:					
Owners of the Company		**1,578**	3,931	**5,157**	4,504
Non-controlling interests		**(4)**	35	**(5)**	213
		1,574	3,966	**5,152**	4,717

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 January 2021

	Notes	Three months ended 31 January		Six months ended 31 January	
		2021	2020	**2021**	2020
		HK$'000	HK$'000	**HK$'000**	HK$'000
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
Total comprehensive income/(loss) for the period attributable to:					
Owners of the Company		**5,727**	3,663	**11,783**	3,746
Non-controlling interests		**(4)**	35	**(5)**	213
		5,723	3,698	**11,778**	3,959
Earnings per share attributable to the owners of the Company					
– Basic and diluted earnings per share (HK cents)	9	**0.38**	1.0	**1.25**	1.1

Details of dividends are disclosed in Note 10 to the condensed consolidated financial statements of the Company.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 January 2021

	Notes	As at 31 January 2021 HK$'000 (Unaudited)	As at 31 July 2020 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	1,113	1,314
Investment properties	12	86,763	95,937
Right-of-use assets		689	1,155
Finance lease receivables	13	48,494	52,864
Goodwill		230	230
Deposits paid		17,781	21,935
		155,070	173,435
Current assets			
Trade receivables	14	19,564	21,661
Contract assets	14	27,914	22,651
Finance lease receivables	13	41,977	45,342
Prepayments, deposits paid and other receivables	15	19,565	15,742
Restricted cash	16	1,786	1,635
Cash and cash equivalents	16	103,582	82,696
		214,388	189,727
Current liabilities			
Trade and other payables	17	59,816	43,574
Contract liabilities		—	430
Lease liabilities	18	76,266	72,179
Loan from a shareholder	19	13,841	—
Tax payable		4,884	4,844
		154,807	121,027
Net current assets		59,581	68,700
Total assets less current liabilities		214,651	242,135
Non-current liabilities			
Deposits received	17	12,178	18,683
Deferred tax liabilities		1,135	2,264
Lease liabilities	18	90,922	110,182
Loan from a shareholder	19	—	13,123
		104,235	144,252
Net assets		110,416	97,883

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 January 2021

	Notes	As at 31 January 2021 HK$'000 (Unaudited)	As at 31 July 2020 HK$'000 (Audited)
Equity			
Share capital	20	**4,112**	4,112
Reserves	21	**106,304**	94,521
Equity attributable to owners of the Company		**110,416**	98,633
Non-controlling interests		**–**	(750)
Total equity		**110,416**	97,883

The condensed consolidated financial statements on pages 7 to 37 were approved and authorised for issue by the Board of Directors on 12 March 2021 and are signed on its behalf by:

Mr. Lin Ye
Director

Mr. Au Siu Chung
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2021

	Attributable to owners of the Company					
	Share capital HK$'000 (Note 20)	Share premium HK$'000	Other reserves HK$'000 (Note 21)	Sub-total HK'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 August 2019 (audited)	4,112	24,394	52,643	81,149	(863)	80,286
Profit for the period	–	–	4,504	4,504	213	4,717
Other comprehensive income for the period						
Exchange differences on translation of financial statements of foreign operations	–	–	(758)	(758)	–	(758)
Total comprehensive income for the period	–	–	3,746	3,746	213	3,959
Deemed capital contribution arising from non-current interest-free shareholder's loan (note 19)	–	–	6,565	6,565	–	6,565
As at 31 January 2020 (audited)	4,112	24,394	62,954	91,460	(650)	90,810
As at 1 August 2020 (audited)	**4,112**	**24,394**	**70,127**	**98,633**	**(750)**	**97,883**
Profit/(loss) for the period	**–**	**–**	**5,157**	**5,157**	**(5)**	**5,152**
Other comprehensive income for the period						
Exchange differences on translation of financial statements of foreign operations	**–**	**–**	**6,626**	**6,626**	**–**	**6,626**
Total comprehensive income/(loss) for the period	**–**	**–**	**11,783**	**11,783**	**(5)**	**11,778**
Disposal of a subsidiary	**–**	**–**	**–**	**–**	**755**	**755**
As at 31 January 2021 (unaudited)	**4,112**	**24,394**	**81,910**	**110,416**	**–**	**110,416**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 January 2021

	Notes	Six months ended 31 January 2021 HK$'000 (Unaudited)	2020 HK$'000 (Audited)
Cash flows from operating activities			
Net cash generated from operations		**75,846**	24,791
Income tax paid		**(4,143)**	(1,206)
Interest received		**649**	241
Net cash generated from operating activities		**72,352**	23,826
Cash flows from investing activities			
Net cash inflow on disposal of a subsidiary	23	**505**	–
Purchases of property, plant and equipment	11	**(141)**	(73)
Net cash generated from/(used in) investing activities		**364**	(73)
Cash flows from financing activities			
Payment of principal portion of lease liabilities		**(46,877)**	(29,196)
Interest paid	6	**(7,927)**	(7,220)
Net cash used in financing activities		**(54,804)**	(36,416)
Net increase/(decrease) in cash and cash equivalents		**17,912**	(12,663)
Cash and cash equivalents at beginning of the period		**82,696**	65,518
Effect of foreign exchange rate changes		**2,974**	(378)
Cash and cash equivalents at end of the period, represented by cash at banks and on hand	16	**103,582**	52,477

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 issued shares of the Company are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). With effect from 17 November 2020, trading in the shares of the Company on Stock Exchange has been resumed.

The registered office address of the Company is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands with effect from 16 December 2020. The address of the Company's principal place of business in Hong Kong is Unit 2918, 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.

2. BASIS OF PREPARATION

These condensed consolidated financial statements of the Company have been prepared in accordance with Hong Kong Accounting Standards 34, *Interim Financial Reporting* ("**HKAS 34**"), issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure required by the Rules Governing the Listing of Securities on GEM on Stock Exchange (the "**Listing Rules**").

These condensed consolidated financial statements for the six months ended 31 January 2021 comprise the Company and its subsidiaries (the "**Group**"), which contains condensed consolidated financial statements and selected explanatory notes.

The preparation of the condensed consolidated interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 July 2020, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") (which includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) as disclosed in Note 3.

2. BASIS OF PREPARATION – *continued*

The condensed consolidated financial statements have been presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated. The condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include the explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual consolidated financial statements. These condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 July 2020.

The condensed consolidated financial statements of the Company for the six months ended 31 January 2021 have been reviewed by the Company's independent auditor and audit committee, while the comparative figures had been audited by the Company's independent auditor on a voluntary basis.

3. ADOPTION OF NEW AND REVISED HKFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA that are mandatorily effective for an accounting period that begins on or after 1 August 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS1 (Revised) and HKAS 8	Definition of Material
Amendments to HKFRS 3 (Revised)	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period had no significant impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements of the Group.

Accounting policy newly applied by the Group

The Group has applied the following accounting policy which became relevant to the Group in the current interim period:

Government grants

Government grants relate to income that are receivables as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income and gains".

4. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents revenue from provision of contracting, interior design services and decoration works, and property sub-leasing and management service in the ordinary course of business. Revenue recognised during the six months ended 31 January 2021 are as follows:

	Six months ended 31 January	
	2021	2020
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Revenue from property sub-leasing:		
Gross rental income	**32,500**	26,214
Finance income on finance lease receivables	**4,073**	3,783
Net income from sub-leasing right-of-use assets	**3,862**	7,029
Revenue from contracts with customers within the scope of HKFRS 15, types of goods or services:		
Contracting	**4,070**	5,403
Interior design and decoration works	**38,018**	33,692
Property management fee income and value-adding services	**5,734**	3,959
	88,257	80,080

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.

4. REVENUE AND SEGMENT INFORMATION – *continued*

Segment reporting – *continued*

Property sub-leasing and management service: 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 condensed 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 condensed 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 condensed consolidated statement of financial position except unallocated corporate liabilities, unallocated lease liabilities, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

4. REVENUE AND SEGMENT INFORMATION – *continued*

Segment reporting – *continued*

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

	Contracting HK$'000	Interior design and decoration HK$'000	Property sub-leasing and management service HK$'000	Total HK$'000
For six months ended 31 January 2021 (unaudited)				
Revenue from external customers and disaggregated by timing of revenue recognition				
Services transferred over time	4,070	38,018	46,169	88,257
Reportable segment profit	1,385	6,520	8,103	16,008
Gain on disposal of a subsidiary (Note 5)				1,296
Unallocated corporate expenses				(9,131)
Profit before income tax				8,173
Income tax expense				(3,021)
Profit for the period				5,152
Included in segment results are:				
Unwinding of imputed interest on shareholder's loan	–	–	718	718
Depreciation of investment properties	–	–	22,440	22,440
Depreciation of property, plant and equipment	–	84	326	410
Impairment loss allowance on trade receivables, contract assets and finance lease receivables, net	–	695	53	748
At 31 January 2021 (unaudited)				
Segment assets	7,885	45,108	202,071	255,064
Unallocated assets				114,394
Consolidated total assets				369,458
Included in segment assets are:				
Additions to non-current assets	–	–	27,393	27,393
Segment liabilities	2,872	33,560	213,716	250,148
Tax payable				4,884
Deferred tax liabilities				1,135
Unallocated liabilities				2,875
Consolidated total liabilities				259,042

4. REVENUE AND SEGMENT INFORMATION – *continued*

Segment reporting – *continued*

	Contracting HK$'000	Interior design and decoration HK$'000	Property sub-leasing and management service HK$'000	Total HK$'000
For six months ended 31 January 2020 (audited)				
Revenue from external customers and disaggregated by timing of revenue recognition				
Services transferred over time	5,403	33,692	40,985	80,080
Reportable segment profit	444	5,472	11,134	17,050
Unwinding of imputed interest on shareholder's loan				(863)
Unallocated corporate expenses				(7,325)
Profit before income tax				8,862
Income tax expense				(4,145)
Profit for the period				4,717
Included in segment results are:				
Depreciation of investment properties	–	–	17,234	17,234
Depreciation of property, plant and equipment	38	76	656	770
Impairment loss allowance on trade receivables, contract assets and finance lease receivables, net	–	852	339	1,191
At 31 July 2020 (audited)				
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

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

5. OTHER INCOME AND GAINS

	Six months ended 31 January	
	2021	2020
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Bank interest income	**649**	241
Gain on derecognition upon termination of leases of investment properties and lease liabilities, net	**–**	107
Gain on disposal of a subsidiary (Note 23)	**1,296**	–
Government grants	**432**	–
Management fee income (Note 22(a))	**–**	480
Net foreign exchange gains	**–**	107
Tax relief on value-added tax	**356**	300
Others	**67**	47
	2,800	1,282

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 31 January	
	2021	2020
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Interest on lease liabilities	**7,927**	7,220
Unwinding of imputed interest on loan from a shareholder (Note 19)	**718**	863
	8,645	8,083

7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Six months ended 31 January	
	2021	2020
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Sub-contracting costs recognised as an expense	**32,863**	24,649
Depreciation of investment properties	**22,440**	17,234
Depreciation of property, plant and equipment	**429**	848
Depreciation of right-of-use assets	**440**	404
Loss on derecognition upon termination of leases of finance lease receivables and lease liabilities	**1,898**	126
Expenses relating to short-term leases	**2,232**	1,609
Employee benefits expense (including directors' emoluments (Note 22(b))*:		
— Salaries and allowances	**5,024**	6,400
— Retirement benefit scheme contributions (defined contribution scheme)	**177**	313
Other expenses#	**419**	978

* Employee benefit expense (including directors' emolument) of approximately HK$524,000 (six months ended 31 January 2020: HK$1,767,000) and approximately HK$4,677,000 (six months ended 31 January 2020: HK$4,946,000) has been included in cost of services and administrative and other expenses respectively.

\# Other expenses relate to expenses of the Group not incurred in the ordinary and usual course of business of the Group which include professional fees incurred by the Group in attending to the queries of the Stock Exchange on maintaining the listing status of the Company. With effect from 17 November 2020, trading in the shares of the Company on Stock Exchange has been resumed.

8. INCOME TAX EXPENSE

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

The Group's operations in Hong Kong is subject to Hong Kong Profits Tax at a rate of 8.25% or 16.5% (six months ended 31 January 2020: 8.25% or 16.5%) on the estimated assessable profits arising in Hong Kong during the period 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 are not qualifying for the two-tiered profits tax rates regime and continue to be taxed at a flat rate of 16.5%.

8. INCOME TAX EXPENSE – *continued*

No Hong Kong profits tax has been provided for the period in the condensed consolidated financial statements as the Group has tax losses brought forward from previous years for the six months ended 31 January 2020 and 2021.

The PRC Enterprise Income Tax (the "**EIT**") is calculated at the rate of 25% prevailing in the PRC jurisdiction for the six months ended 31 January 2021 (six months ended 31 January 2020: 25%).

	Six months ended 31 January	
	2021	2020
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Current — PRC EIT		
Charge for the period	**4,150**	3,666
Deferred tax	**(1,129)**	479
Income tax expense	**3,021**	4,145

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$5,615,000 (31 July 2020: approximately HK$5,364,000) in respect of losses amounting to approximately HK$34,024,000 (31 July 2020: approximately HK$32,511,000) 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 unused tax losses not recognised, deferred tax liabilities recognised under business combination in prior year, and the recognised under the impact on HKFRS 16 Leases, the Group does not have deferred income tax assets and liabilities in the condensed 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 January 2021 (31 July 2020: Nil).

9. EARNINGS PER SHARE

	Six months ended 31 January	
	2021 **HK$'000** **(Unaudited)**	2020 HK$'000 (Audited)
Profit attributable to owners of the Company for the purpose of basic and diluted earnings per share	**5,157**	4,504
	Number of shares **'000** **(Unaudited)**	Number of shares '000 (Audited)
Weighted average number of ordinary shares in issue for the purpose of basic and diluted earnings per share	**411,200**	411,200

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

10. DIVIDENDS

The Board of Directors (the "**Board**") did not recommend a payment of an interim dividend for the six months ended 31 January 2021 (six months ended 31 January 2020: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 January 2021, the Group acquired certain property, plant and equipment of approximately HK$141,000 (six months ended 31 January 2020: HK$ HK$73,000).

12. INVESTMENT PROPERTIES

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

At 31 January 2021, no investment properties of the Group were pledged to secure any borrowings to the Group (31 July 2020: Nil).

At 31 January 2021, an independent valuer assessed the fair values which were derived by using income capitalisation method (31 July 2020: 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. As at 31 January 2021, the fair value of investment properties at level 3 hierarchy is approximately HK$107,276,000 (31 July 2020: HK$120,941,000).

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

13. FINANCE LEASE RECEIVABLES

Certain leased properties under subleases were accounted for as finance leases receivables and have remaining lease terms ranging from 1 to 8 years (31 July 2020: 1 to 9 years). Finance lease receivables are comprised of the followings:

	At 31 January 2021 HK$'000 (Unaudited)	At 31 July 2020 HK$'000 (Audited)
Amounts receivable under finance leases:		
Year 1	47,902	52,868
Year 2	31,645	34,248
Year 3	15,105	15,802
Year 4	2,612	4,604
Year 5 and afterwards	3,752	4,082
Undiscounted lease payments	101,016	111,604
Less: unearned finance income	(10,405)	(13,246)
Present value of lease payments receivable	90,611	98,358
Less: impairment loss allowance	(140)	(152)
Net investment in the leases	90,471	98,206
Net investment in the lease analysed as		
Recoverable within 12 months	41,977	45,342
Recoverable after 12 months	48,494	52,864
	90,471	98,206

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 expected credit loss ("**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 receivables of approximately HK$140,000 (31 July 2020: HK$152,000) is impaired.

14. TRADE RECEIVABLES AND CONTRACT ASSETS

	At 31 January 2021 HK$'000 (Unaudited)	At 31 July 2020 HK$'000 (Audited)
Trade receivables (Note (a))	19,868	22,423
Less: allowance for credit losses, net	(304)	(762)
	19,564	21,661
Contracts assets (Note (b))	28,574	22,769
Less: allowance for credit losses, net	(660)	(118)
	27,914	22,651
Total	47,478	44,312

Notes:

(a) **Trade receivables**

As at 31 July 2020 and 31 January 2021, 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 the PRC business.

The ageing analysis of the trade receivables of the Group, net of loss allowance, based on the invoice dates as at 31 January 2021 is as follows:

	At 31 January 2021 HK$'000 (Unaudited)	At 31 July 2020 HK$'000 (Audited)
1–30 days	17,651	19,069
31–60 days	1,213	54
61–90 days	602	54
91–365 days	98	2,334
Over 365 days	–	150
	19,564	21,661

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.

14. TRADE RECEIVABLES AND CONTRACT ASSETS – *continued*

Notes: – *continued*

(a) Trade receivables – *continued*

As at 31 January 2021 and 31 July 2020, the Group did not hold any collateral in respect of trade receivables past due but not impaired.

(b) Contract assets

	At 31 January 2021 HK$'000 (Unaudited)	At 31 July 2020 HK$'000 (Audited)
Interior design and decoration work services	27,914	22,651

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 January 2021, balance also includes retention money of approximately HK$6,023,000 (31 July 2020: HK$2,427,000). 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.

15. PREPAYMENTS, DEPOSITS PAID AND OTHER RECEIVABLES

	At 31 January 2021 HK$'000 (Unaudited)	At 31 July 2020 HK$'000 (Audited)
Current		
Prepayments (note (a))	6,053	12,641
Deposits paid	7,993	2,142
Other receivables (note (b))	5,519	959
	19,565	15,742

Notes:

(a) At 31 January 2021, balance includes an amount of approximately HK$1,684,000 (31 July 2020: approximately HK$1,503,000) which relates to prepaid rentals to certain landlords for leasing of commercial properties in relation to the operating of property sub-leasing business in PRC.

At 31 January 2021, balance also includes an amount of approximately HK$2,719,000 (31 July 2020: approximately HK$9,392,000) which relates to prepaid costs to certain sub-contractors in relation to the contracts for contracting and interior design and decoration works entered into by the Group, which would be utilised as sub-contracting costs incurred within the next financial year.

(b) At 31 January 2021, the balance mainly comprised the receivables amounted to approximately HK$5,465,000 (31 July 2020: Nil) in relation to the disposal of New Brio Engineering Limited ("**NBE**") as disclosed in note 23.

16. RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

	At 31 January 2021 HK$'000 (Unaudited)	At 31 July 2020 HK$'000 (Audited)
Restricted cash	1,786	1,635
Cash at banks	43,452	55,011
Bank deposit	60,092	27,658
Cash on hand	38	27
Cash and cash equivalents	103,582	82,696
Total restricted cash and cash and cash equivalents	105,368	84,331

Notes:

As at 31 July 2020 and 31 January 2021, there is an outstanding arbitration commenced by two sub-constructors against the subsidiary in the PRC of the Group claiming construction fees, together with the late payments, and unilateral termination of contracts, totaling approximately Renminbi ("**RMB**") 6,471,200 (equivalent to approximately HK$7,777,000) (31 July 2020: RMB6,471,200 (equivalent to approximately HK$7,159,000). The restricted cash of the Group of approximately HK$1,786,000 (31 July 2020: HK$1,635,000) which had already been frozen by judicial freezing. Details of the arbitration are set out in note 25.

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

	At 31 January 2021 HK$'000 (Unaudited)	At 31 July 2020 HK$'000 (Audited)
HK$	37,514	43,293
RMB	67,854	41,038
	105,368	84,331

As at 31 January 2021, included in cash and cash equivalents of the Group is approximately HK$67,854,000 (31 July 2020: HK$41,034,000) of cash at banks and bank deposits denominated in RMB placed with the banks in the PRC. RMB is not a freely convertible currency; however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through the banks authorised to conduct foreign exchange business in the PRC.

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

17. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

	At 31 January 2021 HK$'000 (Unaudited)	At 31 July 2020 HK$'000 (Audited)
Current		
Trade payables (Note (a))	33,362	27,590
Receipts in advance	1,849	1,203
Deposits received (Note (b))	15,818	9,232
Accruals and other payables	8,787	5,549
	59,816	43,574
Non-current		
Deposits received (Note (b))	12,178	18,683
Total	71,994	62,257

Notes:

(a) No credit period is granted by suppliers (31 July 2020: Nil).

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

	At 31 January 2021 HK$'000 (Unaudited)	At 31 July 2020 HK$'000 (Audited)
0–30 days	4,393	10,006
31–60 days	4,160	6,983
61–90 days	249	—
91—365 days	18,953	7,212
Over 365 days	5,607	3,389
	33,362	27,590

(b) As at 31 January 2021, balance amounting to RMB2,600,000 (equivalent to approximately HK$3,125,000) (31 July 2020: RMB2,600,000 (equivalent to approximately HK$2,876,000)) arose from the deposit received from the customer in relation to the guarantee on the indemnity of the Arbitration as disclosed in note 25.

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.

18. LEASE LIABILITIES

The following table shows the remaining contractual matures of the Group's lease liabilities at 31 January 2021 and 31 July 2020:

	At 31 January 2021 HK$'000 (Unaudited)	At 31 July 2020 HK$'000 (Audited)
Within one year	80,408	86,105
After one year but within two years	58,905	66,608
After two years but within five years	42,943	49,059
After five years	6,159	7,747
	188,415	209,519
Less: total future interest expenses	(21,227)	(27,158)
Present value of lease liabilities	167,188	182,361
Less: Portion classified as current	(76,266)	(72,179)
Non-current portion	90,922	110,182

19. LOAN FROM A SHAREHOLDER

On 11 October 2019, Mr. Lin Ye ("**Mr. Lin**"), who is a director and single largest shareholder which held approximate 28.22% shareholding of the Company, 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 ended 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 was obliged under the Profit Guarantee to compensate the Company for any shortfall, the Company was entitled to set off part of the principal amount of the Loan against the compensation (if any).

The Loan was (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.

19. LOAN FROM A SHAREHOLDER – *continued*

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.

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 1 August 2019 (audited)	–
Proceeds from shareholder's loan	30,000
Discount at inception (note 21)	(6,565)
Repayment to a shareholder	(15,000)
Loss on modification of shareholder's loan	2,844
Unwinding of imputed interest	1,844
At 31 July 2020 and 1 August 2020 (audited)	13,123
Unwinding of imputed interest	718
At 31 January 2021 (unaudited)	**13,841**

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 was recognised as finance costs (note 6) in the condensed consolidated statement of profit or loss of the Group. The effective interest rate at 12.39% per annum for imputed interest expense for the Loan was determined 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 was modified such that the revised terms would result in a substantial modification from the original terms, such modification was 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.

20. SHARE CAPITAL

	Number of ordinary shares '000	Ordinary shares HK$'000
Ordinary shares of HK$0.01 each:		
Authorised:		
At 31 July 2020, 1 August 2020 (audited) and 31 January 2021 (unaudited)	2,000,000	20,000

	Number of ordinary shares '000	Ordinary shares HK$'000
Issued and fully paid:		
At 31 July 2020, 1 August 2020 (audited) and 31 January 2021 (unaudited)	411,200	4,112

21. OTHER RESERVES

	Merger reserve HK$'000 (Note (i))	Exchange fluctuation reserve HK$'000	Statutory reserve HK$'000	Other reserve HK$'000 (Note 19)	Retained earnings HK$'000	Total HK$'000
As at 1 August 2019 (audited)	(494)	88	430	–	52,619	52,643
Profit for the period	–	–	–	–	4,504	4,504
Other comprehensive loss for the period						
Exchange differences on translation of financial statements of foreign operations	–	(758)	–	–	–	(758)
Total comprehensive (loss)/income for the period	–	(758)	–	–	4,504	3,746
Deemed capital contribution arising from non-current interest-free shareholder's loan	–	–	–	6,565	–	6,565
Transfer to statutory reserves	–	–	1,113	–	(1,113)	–
As at 31 January 2020 (audited)	(494)	(670)	1,543	6,565	56,010	62,954

21. OTHER RESERVES – *continued*

	Merger reserve HK$'000 (Note (i))	Exchange fluctuation reserve HK$'000	Statutory reserve HK$'000	Other reserve HK$'000 (Note 19)	Retained earnings HK$'000	Total HK$'000
As at 31 July 2020 (audited)	(494)	(643)	3,330	6,565	61,369	70,127
Profit for the period	–	–	–	–	5,157	5,157
Other comprehensive loss for the period						
Exchange differences on translation of financial statements of foreign operations	–	6,626	–	–	–	6,626
Total comprehensive income for the period	–	6,626	–	–	5,157	11,783
Transfer to statutory reserves	–	–	1,341	–	(1,341)	–
As at 31 January 2021 (unaudited)	(494)	5,983	4,671	6,565	65,185	81,910

Note:

(i) 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.

22. RELATED PARTY TRANSACTIONS

(a) The Group did not have any significant related party transaction with related parties during the six months ended 31 January 2021, except for the management fee income of HK$480,000 derived from Mr. Lin for rendering administrative and accounting services during the six months ended 31 January 2020 as disclosed in note 5.

(b) The emoluments of the directors and senior executives (representing the key management personnel) during the period as follows:

	Six months ended January	
	2021	2020
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Directors' emoluments		
Short-term benefits:		
Fees, salaries, allowances and other benefits in kind	**1,550**	1,702
Post-employment benefits:		
Retirement benefit scheme contributions	**36**	45
	1,586	1,747

(c) Details of Profit Guarantee and interest-free loan advanced from a shareholder of Mr. Lin is disclosed in note 19.

23. DISPOSAL OF A SUBSIDIARY

On 30 December 2020, the Group entered into the Sale and Purchase Agreement to dispose of its entire equity interest in NBE, a 51% indirectly owned subsidiary, at a consideration of HK$510,000 to an independent third party (the "**Buyer**"). The disposal was completed on 30 December 2020, since then, the Group has no equity interest in and control over NBE. The net carrying amounts of asset/(liabilities) of NBE as at the completion date of the disposal are as follows:

	HK$'000
Trade receivables	496
Prepayments and other receivables	7,977
Contract assets	1,204
Cash and cash equivalents	5
Amount due to immediate holding company	(5,465)
Trade payables and other payables	(5,064)
Contract liabilities	(430)
Tax payable	(264)
Net liabilities disposed of	(1,541)
Non-controlling interests at the date of disposal	755
Gain on disposal of a subsidiary (Note 5)	1,296
Total consideration satisfied by cash	510
Assignment of amount due to immediate holding company to the Buyer (note)	5,465
	5,975
Cash flow movement in relation to the disposal during the period ended 31 January 2021:	
Cash consideration received	510
Cash and cash equivalents disposed of	(5)
Net cash inflow	505

Note: The remaining balance amounted to approximately HK$5,465,000 was included in other receivables as disclosed in note 15(b).

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The fair values 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.

25. CONTINGENT LIABILITIES

As at 31 January 2021, 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$7,777,000) (31 July 2020: 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$7,676,000) (31 July 2020: 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 January 2021, the bank balance of the Subsidiary is amounted to approximately RMB1,486,000 (equivalent to approximately HK$1,786,000) (31 July 2020: 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 and 31 January 2021. The trade payables of the Group included an amount of approximately HK$3,788,000 (31 July 2020: HK$3,486,000) as at 31 January 2021, which relates to the contracts under the Arbitration and recognised based on the completed works of the Sub-Contractors as at 31 January 2021.

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. As at 31 January 2021, the customer has deposited the amount of RMB2,600,000 (equivalent to approximately HK$3,125,000) (31 July 2020: RMB2,600,000 (equivalent to approximately HK$2,876,000)) to the Group as the guarantee on the indemnity as disclosed in note 17(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.

25. CONTINGENT LIABILITIES – *continued*

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.

26. COMPARATIVE AMOUNTS

Impairment loss allowance on finance lease receivables, which were previously included in administrative and other operating expenses in the condensed consolidated statement of profit or loss and other comprehensive income, the Company re-presented impairment loss allowance on trade receivables, contract assets and finance lease receivables as a separate line item in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 31 January 2020, in order to conform with the current period's presentation and disclosures.

27. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These condensed consolidated financial statements were approved and authorised for issue by the directors of the Company on 12 March 2021.

BUSINESS REVIEW AND OUTLOOK

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

The Board completed its review of the Group's business operation in early 2019. At the board meeting held in February 2019 which discussed, among others, the business development direction of the Group, it was resolved that the Group should continue its original businesses of provision of contracting, project management and civil engineering consulting businesses ("**Original Businesses**"). In view of the high demand of small size office in grade A office building and the entry barrier for small scale or start-up companies, the Board appreciated the relevant business potential, and also resolved to leverage on the experience and existing business of Shenzhen Zhongshenguotou Assets Management Co., Ltd* (深圳中深國投資產管理有限公司) ("**ZSGT**"), a wholly-owned subsidiary of the Company in the PRC, to develop the sub-leasing business as well as establishing the interior design and decoration team focusing on interior design and decoration business arising from the sub-leasing business in order to secure an 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 for a proper office premise, preferably at a 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 January 2021, the Group leased 9 large scale properties in the PRC, of which 8 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 32,782 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 90% as at 31 January 2021.

Business flow

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

1. Sourcing of property
2. Sub-leasing planning and renovation
3. Sourcing of sub-tenants
4. 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 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.

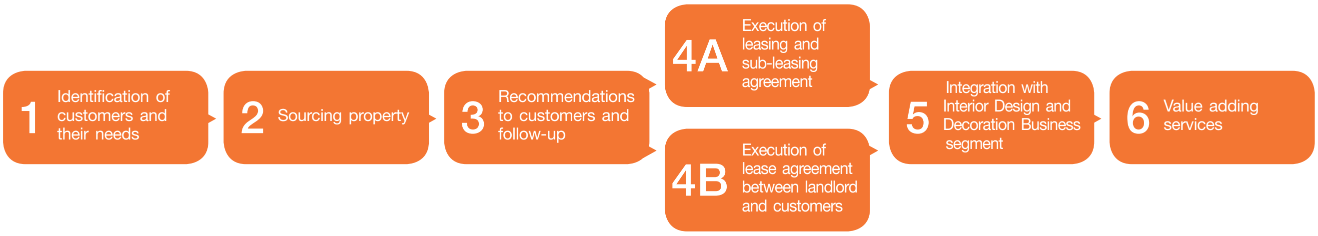
Given that the sub-leasing management service is demand-driven, the Group will generally enter into rental agreement with landlords back to back with the sub-leasing agreement with the customers, and as such, the Group generally does not expose itself to any risk of being unable to lease the premises 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 January 2021, the Group's sub-leasing management services cover 4 cities, namely Shenzhen, Shanghai, Chongqing, Tianjin and 20 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, Gansu and Zhejiang with total floor areas of approximately 64,344 sq.m..

Business flow

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



Step 1: Identification of customers and their needs

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

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

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

Step 2: Sourcing property

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

Step 3: Recommendations to customers and follow-up

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

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

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

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

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

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

Step 5: Integration with Interior Design and Decoration Business segment

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

Step 6: Value-adding services

As the customers liaise with the Group directly instead of multiple landlords, the Group is responsible for all the general matters of the office premises. Such general matters include basic repair 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 such requests 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 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 six months ended 31 January 2021, 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 the Hong Kong construction industry, the Group has adopted a more aggressive approach in seeking new contracts, including but not limited to relaxing payment terms of its contracts so as to increase its competitiveness.

The Group appointed Mr. So Chi Wai, 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.

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 six months ended 31 January 2021 proves that the Group is on the right track as its revenue has substantially increased. Since the Group has developed multiple business lines which are complementary to each other, it 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 sources 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 conditions 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

Our revenue increased from approximately HK$80.1 million for the six months ended 31 January 2020 to approximately HK$88.3 million for the Relevant Period, representing an increase of approximately 10.2%. Such increase was mainly due to the increase in revenue derived from the sub-leasing as well as interior design services and decoration businesses.

Cost of Services

Our cost of services increased from approximately HK$52.7 million for the six months ended 31 January 2020 to approximately HK$63.7 million for the Relevant Period, representing an increase of approximately 20.9%. Such increase was in line with the increase in revenue of the Group. The major cost items of the Group include sub-contracting charge, depreciation of investment properties and expenses relating to short term leases and etc.

Gross Profit

Our gross profit decreased from approximately HK$27.4 million for the six months ended 31 January 2020 to approximately HK$24.5 million for the Relevant Period, representing an decrease of approximately 10.3%, as a result of the substantial increase in our cost of services as discussed above.

Other Income and Gains

Our other income and gains increased by approximately HK$1.5 million from approximately HK$1.3 million for the six months ended 31 January 2020 to approximately HK$2.8 million for the Relevant Period. Such increase was mainly due to increase in gain on disposal of a subsidiary of HK$1.3 million for the Relevant Period.

Administrative and Other Operating Expenses

Our administrative and other operating expenses amounted to approximately HK$10.5 million and HK$9.8 million for the six months ended 31 January 2020 and 2021 respectively, representing a decrease of approximately 7.0%. Such decrease was primarily due to the decrease in legal and professional fees in attending to the queries of the Stock Exchange on maintaining the listing status of the Company.

Profit for the Relevant Period

As a result of the aforesaid, the business of the Group record a profit of approximately HK$5.2 million for the six months ended 31 January 2021 from a profit of approximately HK$4.7 million for the same period last year.

Dividend

The Board does not recommend the payment of dividend for the Relevant Period (six months ended 31 January 2020: Nil).

Liquidity and Financial Resources

The Group maintained a healthy financial position during the Relevant Period. As at 31 January 2021, the Group had a cash and cash equivalents of approximately HK$103.6 million (31 July 2020: approximately HK$82.7 million). The current ratio as at 31 January 2021 was approximately 1.4 (31 July 2020: approximately 1.6).

Gearing Ratio

The gearing ratio of the Group as at 31 January 2021 was 12.5% (31 July 2020: 13.4%).

The gearing ratio is calculated as total borrowings divided by total equity as at the respective periods.

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Relevant Period. 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 January 2021, the Group did not have any charges on its assets (31 July 2020: Nil).

Foreign Exchange Exposure

Most of the Group's bank balances and income are denominated in either Renminbi or Hong Kong dollars. The Group has not experienced any material difficulties or negative impacts on its operations as a result of fluctuations in currency exchange rates. The Directors considered that no hedging of exchange risk is required and accordingly, there were no financial instruments being used for hedging purposes during the six months ended 31 January 2021. Nevertheless, the management will continue to monitor the Group's foreign exchange exposure and will take prudent measures as and when appropriate.

Capital Structure

The shares of the Company have been listed on the Stock Exchange since 5 December 2014. There has been no change in capital structure of the Company since 5 December 2014. The capital of the Company comprises ordinary shares and capital reserves.

As at 31 January 2021, the share capital and equity attributable to owners of the Company amounted to approximately HK$4.1 million and HK$110.4 million respectively (31 July 2020: approximately HK$4.1 million and HK$98.6 million respectively).

Capital Commitments

As at 31 January 2021, the Group did not have any capital commitments (31 July 2020: Nil).

Human Resources Management

As at 31 January 2021, the Group had 53 (31 January 2020: 47) employees, including the Directors. Total staff costs (including Directors' emoluments) were approximately HK$5.2 million for the Relevant Period as compared to approximately HK$6.7 million for the six months ended 31 January 2020. 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 were approved by the Board.

Significant Investments Held

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

Material Acquisition and Disposals

For the Relevant Period, save as the investment properties and right-of-use assets recognised in accordance with HKFRS 16 and the disposal of a non-wholly owned subsidiary, the Group did not conduct any material acquisition or disposals.

Contingent Liabilities

As at 31 January 2021, the Group did not have any material contingent liability (31 July 2020: Nil).

Future Plans for Material Investments or Capital Assets

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

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

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

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

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

DISPOSAL OF A NON-WHOLLY OWNED SUBSIDIARY

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

The Consideration was settled by the Purchaser in cash and in full on the date of execution of the Sale and Purchase Agreement. It was determined after arm's length negotiations between the Vendor and the Purchaser with reference to (1) a valuation report issued by an independent professional valuer, which assessed the fair value of 100% equity interest of New Brio Engineering Limited as at 30 December 2020 to be HK$894,000, using the market approach; and (2) New Brio Engineering Limited recorded profit after taxation for the year end 31 July 2019 and 2020 in the amount of approximately HK$313,000 and HK$230,000 respectively.

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

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

DISCLOSURE OF INTERESTS

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

As at 31 January 2021, the interests and short positions of the Directors and chief executive of the Company in the shares (the "**Shares**"), underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong (the "**SFO**")) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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%

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. As such, Mr. Lin is deemed to be interested in 86,534,000 Shares held by Sonic Solutions Limited for the purposes of the SFO.

Save as disclosed above and so far as is known to the Directors, as at 31 January 2021, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 31 January 2021, so far as was known to the Directors, the interests and short positions of the following persons (other than the Directors or chief executive of the Company) or entities which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were requested to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

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

Notes:

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 January 2021, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Disclosure of Interests" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

COMPETITION AND CONFLICT OF INTEREST

Having made specific enquiry of all Directors and substantial shareholders, during the Relevant Period, none of the Directors and substantial shareholders of the Company, neither themselves 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, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Relevant Period and up to the date of this report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

During the Relevant Period and up to the date of this report, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules, except for the deviation from code provision A.2.1 of the Code as described below.

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 Relevant Period, 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 chief executive post to comply with code provision A.2.1 of the Code if necessary.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of provisions of conduct regarding securities transactions by the Directors (the "**Code of Conduct**") on terms no less exacting than the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the Relevant Period and up to the date of this report.

SHARE OPTION SCHEME

The Company 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 January 2021.

AUDIT COMMITTEE

The Board established an audit committee (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 CG 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. The Audit Committee consists of three members, namely Ms. Kwong Ka Ki (Chairperson), Mr. Yu Hua Chang and Ms. Guo Liying, all being independent non-executive Directors, Ms. Kwong Ka Ki currently serves as the chairperson of the Audit Committee.

The Audit Committee has reviewed this report and the unaudited consolidated financial statements of the Group for the Relevant Period.

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

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

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

On 29 July 2019, the GEM Listing Committee informed the Company that the GEM Listing Committee had decided to uphold the Decision (the "**LC Decision**"). On 2 August 2019, the Company applied for a review on the LC Decision by the GEM Listing (Review) Committee. The review hearing of the GEM Listing Committee Decision by the GEM Listing Review Committee took place on 22 October 2019. On 31 October 2019, the Company received a fax from the GEM Listing Review Committee that they had decided to uphold the GEM Listing Committee Decision (the "**GEM Listing Review Committee Decision**").

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

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

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

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

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

Hong Kong, 12 March 2021

As at the date of this report, the executive Directors are Mr. Lin Ye, Mr. Au Siu Chung and Ms. Xiao Yi Liao Ge; and the independent non-executive Directors are Ms. Kwong Ka Ki, Mr. Yu Hua Chang and Ms. Guo Liying.