CHINA ALL NATION INTERNATIONAL HOLDINGS GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8170

2020/21
ANNUAL REPORT

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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.

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BOARD OF DIRECTORS

Executive Directors:

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

Independent Non-executive Directors:

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

LEGAL COMPLIANCE COMMITTEE

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

COMPANY SECRETARY

Ms. Lung Yuet Kwan (appointed on 1 May 2021)
Mr. Cheng Man For
(resigned with effect from 1 May 2021)

AUTHORISED REPRESENTATIVES

Mr. Au Siu Chung
Mr. Lin Ye (appointed on 10 February 2021)
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

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PRINCIPAL BANKERS

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DBS Bank (Hong Kong) Limited
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Central, Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

COMPANY WEBSITE

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

STOCK CODE

08170

Dear Shareholders,

On behalf of the board (the "**Board**") of Directors of China All Nation International Holdings Group Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present the annual report of the Group for the year ended 31 July 2021.

In 2021, the Group continued to develop its existing businesses in Hong Kong and the People's Republic of China (the "**PRC**") to secure a stable source of revenue from its sub-leasing and management business in the PRC and diversified the Group's risk in reliance on single market and single business. Although the original business in Hong Kong and interior design and decoration business in Hong Kong and the PRC encountered keen market competition and were slowed down by the pandemic, the Group has, through the cooperation with different suppliers of wire, building materials and cement, become familiar with the commodities trading business in the PRC and has an in-depth understanding of the characteristics and business model of the commodities industry. The Group has established a new wholly-owned subsidiary in the PRC which is principally engaged in the sale of non-ferrous metals. Leveraging on the personnel with relevant commodities trading experience and the Group's experience and expertise in interior design and decoration business, the Group has successfully commenced its commodities trading business in March 2021.

Although 2021 has been a challenging year, the Group continually experienced an overall fruitful improvement in its businesses. During the year ended 31 July 2021, the Group recorded a total revenue of approximately HK$166.9 million. The Group's revenue in property sub-leasing and management business and commodity trading business increased to approximately HK$96.4 million and HK$4.9 million respectively, whereas the revenue in interior design and decoration business decreased to approximately HK$57.4 million in view of keen market competition and impact of the pandemic. The business of the Group achieved a profit after tax of approximately HK$17.0 million for the year ended 31 July 2021, which represented an increase of 44.9% as compared to a profit of approximately HK$11.8 million for year ended 31 July 2020.

The promising financial performance in 2021 strengthen the Group's business insight and consolidate the Group's diversification strategy. The Group benefits a secure source of revenue from its sub-leasing and management business, and on the other hand, diversify into commodity trading business to mitigate the unstable risks derived from the interior design and decoration business. Looking ahead, the Group will continue upholding the current development strategy and expand the business horizon. The Group will endeavor to increase the efforts in expanding its existing businesses and the management team are dedicated to devote their effort in the coming years to create greater value for the Company and its shareholders.

Taking this opportunity, I would like to express my sincere gratitude to our shareholders, customers, subcontractors and business partners for their continuous support, and to our management and staff members for their diligence, dedication and contribution to the growth of the Group.

Lin Ye
Chairman and executive Director

Hong Kong, 30 September 2021

BUSINESS REVIEW AND OUTLOOK

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

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

1. Property sub-leasing and management services business segment

The property sub-leasing and management service business segment is operated by Shenzhen 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. One of the principal business of ZSGT is sub-leasing office premises to different clientele in three categories below:

(a) Sub-leasing of premises

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

The Group's sub-leasing of premises generally focuses on office premises and involves provision of small scale (ranging from 100 sq.m. to 500 sq.m.) subdivided or partitioned office premises at grade-A commercial buildings with stylish decoration at affordable price embedding co-use/sharing concept.

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

The sub-leasing of office premise in the PRC maintains a steady growth in the recent years, and such growing trend is expected to continue.

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

(b) Sub-leasing management

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

The customers will only need to communicate their needs to the Group in contrast to negotiating with different landlord all over PRC one by one, and thus the Group’s sub-leasing management service will be able to minimize the customers’ effort, resource and cost spent on leasing which can instead be spent on their core revenue generating operation.

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

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

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

(c) Co-work space

The Group operates one co-work space centre (i.e. an advanced form of business centre) at a grade–A commercial building located at Nanshan district of Shenzhen, which is Shenzhen’s focal development area for hi-tech and innovative businesses.

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

The co-work space centre offers:

(i) rental of office space or dedicated desks;

(ii) rental of private office room/booth;

(iii) conference rooms; and

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

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

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

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

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

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

2. **Interior design and decoration business segment**

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

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

3. **Original Businesses segment**

The Original Businesses of the Group are operated by KSL, the revenue has decreased by 21.8% from approximately HK$10.5 million in the year ended 31 July 2020 to approximately HK$8.2 million in the year ended 31 July 2021. In order to secure new contracts for the Original Businesses notwithstanding the sluggish condition in Hong Kong construction industry, the Group has adopted a more aggressive approach in seeking new contracts which including but not limited to relaxing payment terms of its contracts so as to increase its competitiveness.

4. **Commodity trading business segment**

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

OUTLOOK

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

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

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

FINANCIAL REVIEW

Revenue and Segment Information

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

(i) decrease in revenue of the Group's interior design and decoration business by 38.1% to approximately HK$57.4 million (2020: approximately HK$92.8 million);

(ii) increase in revenue of the Group's property sub-leasing and management business in the PRC by 13.2% to approximately HK$96.4 million (2020: approximately HK$85.2 million); and

(iii) increase in revenue of the Group's commodity trading business in the PRC to approximately HK$4.9 million (2020: Nil).

Cost of Services

In line with the decrease in revenue of the Group, cost of services of the Group for the year ended 31 July 2021 decreased to approximately HK$115.5 million, representing a decrease of 11.1% (2020: approximately HK$129.9 million). The major cost items of the Group include sub-contracting charge, depreciation of investment properties and material cost as well as lease payment under operating lease.

Gross Profit

In the year ended 31 July 2021, gross profit of the Group has decreased by 12.2% to approximately HK$51.3 million (2020: approximately HK$58.5 million) with gross profit margin of 30.8% (2020: 31.0%). The gross profit margin of the Group remains steady.

Other Income and Gains

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

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses decreased by 12.6% to approximately HK$18.0 million in the financial year ended 31 July 2021 (2020: approximately HK$20.6 million).

Income Tax Expense

Since the Group had unutilised tax loss brought forward in Hong Kong, no profits tax was charged for the year ended 31 July 2021 (2020: Nil) despite the profitability of its Original Businesses segment and interior design and decoration business segment in Hong Kong in the year ended 31 July 2021.

EIT of approximately HK$8.6 million is payable by the Group in the PRC due to the profitability of its operations in the PRC.

After inclusion of the impact of deferred tax of approximately HK$0.3 million and over-provision of EIT in respect of prior years of approximately HK$0.6 million, the total income tax expense of the Group for the year ended 31 July 2021 was approximately HK$7.7 million (2020: approximately HK$9.2 million).

Profit before Income Tax and Profit for the Year

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

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

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

Final Dividend

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

Liquidity and Financial Resources

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

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

Gearing Ratio

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

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

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 July 2021. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Pledge of Assets

As at 31 July 2021, the Group did not have any charges on its assets (2020: Nil).

Foreign Exchange Exposure

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

Capital Structure

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

As at 31 July 2021, the share capital and equity attributable to owners of the Company amounted to approximately HK$4.1 million and HK$122.3 million respectively (2020: approximately HK$4.1 million and HK$98.6 million respectively).

Capital Commitments

The registered capital of Shenzhen Fuqingyuan Technology Limited ("**Fuqingyuan**") is RMB5.0 million. The Group committed as at 31 July 2021 to invest in Fuqingyuan, a wholly-owned subsidiary, amounting to RMB5.0 million (equivalent to approximately HK$6.0 million) (2020: RMB5.0 million (equivalent to approximately HK$5.5 million)).

Application of the Net Proceeds of the Placing

As at 31 July 2021, the Company had utilised in aggregate of approximately HK$14,981,000 out of the total net proceeds of approximately HK$22,200,000 (the "**Proceeds**") derived from the Company's placing in 2014. The Proceeds have been applied in accordance with the intended uses as previously disclosed in the Company's prospectus dated 28 November 2014 and the announcement dated 4 December 2018.

As the Company has been cautiously monitoring on its costs and expenses, the actual amount used in the applications of the Proceeds was less than the budgeted amount of the Proceeds. Details of the actual application of the Proceeds during the year ended 31 July 2021 are as follows:

Intended uses of the Proceeds	Planned use of the Proceeds HK$ (approximately)	Actual use of the Proceeds up to 31 July 2021 HK$ (approximately)	Actual use of the Proceeds for the year ended 31 July 2021 HK$ (approximately)
(1) Further developing the contracting business of the Company	15,000,000	8,070,000	–
(2) Strengthening in-house team of engineering staff of the Company	5,000,000	2,064,000	–
(3) Developing more efficient in-house computer programs of the Company	2,000,000	847,000	–
(4) General working capital	–	4,000,000	–
Total	**22,000,000**	**14,981,000**	–

As at 31 July 2021, the unutilised Proceeds amounted to approximately HK$7,019,000. The Company intends to apply the said unutilised Proceeds for development of the Company's property sub-leasing and management services business in the PRC.

Human Resources Management

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

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

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

Significant Investments Held

Except for investment in its subsidiaries, the Group did not hold any significant investment in equity interest in any other company as at 31 July 2021.

Material Acquisitions, Deregistrations and Disposals of Subsidiaries and Affiliated Companies

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

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

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

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

Save as disclosed above, the Group did not have any other material acquisitions, deregistrations and disposals of subsidiaries and affiliated companies for the year ended 31 July 2021.

Contingent Liabilities

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

Future Plans for Material Investments or Capital Assets

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

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

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

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

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

Further update information in relation to the performance of the Profit Guarantee for the year ended 31 July 2021 is disclosed in the "Events after the relevant period" of this annual report.

EXECUTIVE DIRECTORS

Mr. LIN Ye (林燁), aged 57, was appointed as the chairman of the Board and an executive Director on 12 October 2018. Mr. Lin has extensive experience in corporate strategic planning, corporate team building and cooperation, resources integration and launching projects. From 2006 to 2015, Mr. Lin served as a general manager of Shenzhen Gutejia Rubber Products Co., Limited* (深圳市固特佳橡膠製品有限公司) in which he was responsible for implementing internal regulations and procedures in relation to human resources management as well as monitoring corporate investment and financing activities. Since 2015, Mr. Lin has served as a general manager of Shenzhen Qianli Junma Supply Chain Technology Co., Limited* (深圳市千里駿馬供應鏈科技有限公司) in which he was responsible for supervising investment projects and implementing investment strategies.

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

Mr. AU Siu Chung (歐兆聰) ("Mr. Au"), aged 38, was appointed as an executive Director on 23 June 2017. He holds a bachelor of economics degree from the Chinese University of Hong Kong and a master degree of Science in Corporate Governance and Compliance from the Hong Kong Baptist University. From July 2015 to February 2016, he worked as a key account manager at Leadway Production Company Limited. Since February 2016, Mr. Au has been working as an accounting and administration manager at Sky Planner Limited, a subsidiary of the Company.

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

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

* *For identification purpose only*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. KWONG Ka Ki (鄺嘉琪) ("Ms. Kwong"), aged 40, was appointed as an independent non-executive Director on 15 March 2016. She holds a bachelor of arts (Hon) degree in accounting and finance from the Leeds Metropolitan University and a Master Degree in Corporate Governance from The Hong Kong Polytechnic University. Ms. Kwong is a fellow member of The Association of Chartered Certified Accountants, practising member of the Hong Kong Institute of Certified Public Accountants, an associate member of The Hong Kong Chartered Governance Institute and an associate member of The Chartered Governance Institute. Ms. Kwong has over 18 years of experience in auditing, tax, professional accounting and internal control review of licensed brokers. Ms. Kwong was an independent non-executive director of China Financial Leasing Group Limited (stock code: 2312), the shares of which are listed on the Stock Exchange, from January 2014 to June 2014. Ms. Kwong was also an independent non-executive director of Tonking New Energy Group Holdings Limited (formerly known as JC Group Holdings Limited) (stock code: 8326), the shares of which are listed on the GEM, from August 2014 to February 2015.

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

Mr. YU Hua Chang (余華昌) ("Mr. Yu"), aged 47, was appointed as an independent non-executive Director on 26 January 2018. He obtained a bachelor's degree from Nanchang College* (南昌高等專科學校) in 1995. Mr. Yu is currently a vice general manager at Shenzhen Peng Yuan Fa Labor Sending Ltd.* (深圳市鵬源發勞務派遣有限公司). Mr. Yu worked as a marketing specialist at Wing Fung Logistics Limited* (永豐物流有限公司) from August 1998 to March 2012 and as a general marketing manager at Ping An Property & Casualty Insurance Company of China, Ltd.* (中國平安財產保險股份有限公司) from April 2012 to April 2016. Mr. Yu has extensive experience in corporate communication and promoting corporate images to the public.

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

Ms. GUO Liying (郭麗英) ("Ms. Guo"), aged 41, was appointed as an independent non-executive Director on 21 May 2018. She obtained a bachelor's degree of International Economics and Trade from Shantou University (汕頭大學) in June 2003. Prior to joining the Group, Ms. Guo has worked in Guangdong Mobile Communications Co. Ltd* (廣東省移動通訊有限公司) and China Security Technology Co., Ltd* (中國安防技術有限公司). Since September 2014, she has been working as the chief executive officer of Shenzhen Qianhai SGT Capital Management Group Co., Ltd* (深圳前海深港通資本管理集團有限公司). Ms. Guo has extensive experience in project investment operation, enterprise management and marketing and sales.

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

* *For identification purpose only*

SENIOR MANAGEMENT

Mr. YUAN Shuang Shun (袁雙順) ("Mr. Yuan"), aged 50, was appointed as vice president on 10 February 2021. Before that, Mr. Yuan has been the Executive Director of the Company since 1 December 2017. He obtained a master of economics from Guangdong Academy of Social Sciences* (廣東省社會科學院研究生院) in 2002. Prior to joining the Company, Mr. Yuan has been the vice president at Shenzhen Right & Sun Investment Holding Co. Ltd* (深圳瑞華信投資有限責任公司) for more than 12 years. Mr. Yuan has extensive experience in investment, private equity, corporate finance and capital markets. Mr. Yuan was also appointed as an independent non-executive director of ISP Global Limited (stock code: 8487), the shares of which are listed on the GEM, on 1 August 2020. Mr. Yuan has been re-designated from an independent non-executive director to an executive director of ISP Global Limited with effect from 22 March 2021.

Mr. ZHANG Chen Zhi (張晨志) ("**Mr. Zhang**"), aged 41, was appointed as one of the chief operating officers of the Group on 30 December 2020. Mr. Zhang has more than 10 years of experiences in the interior design and construction industry in the PRC. From May 2000 to April 2008, Mr. Zhang worked in 東莞向龍塑膠製品有限公司 (Dongguan Xianglong Plastic Products Company Limited*) with his last position as chief branch officer. From April 2008 to October 2010, Mr. Zhang was a manager in 東莞弘發裝飾公司 (Dongguan Hongfa Decoration Company*), who was responsible for monitoring and management of the construction execution works. From March 2011 to March 2020, Mr. Zhang worked in 廣州美術裝飾有限公司南寧分公司 (Guangzhou Art Decoration Company Limited Nanning Branch*), with his last position as construction director. During this period, Mr. Zhang participated in numerous engineering and construction projects for hotels, luxurious houses and commercial buildings. Mr. Zhang joined the Group in April 2020 and since then served as the general manager of the interior design and decoration business of the Group in the PRC.

Mr. LUO Jia Shun (羅嘉順) ("Mr. Luo"), aged 45, was appointed as one of the chief operating officers of the Group on 11 June 2020. Mr. Luo has over 19 years of experience in the real estate industry in the PRC. From 2001 to April 2010, Mr. Luo was a sales director of Shenzhen International Real Estate Consulting Co., Ltd* (深圳國際房地產諮詢股份有限公司) and principally responsible for selling both new and second-hand real estate properties in the PRC. From May 2010 to March 2017, Mr. Luo was a department manager of Shenzhen Yunfang Network Technology Co., Ltd* (深圳市雲房網絡科技有限公司) and was principally responsible for leasing and sale and purchase of commercial real estates. From April 2017 to May 2020, Mr. Luo was a project deputy director of Xiamen Taicheng Group Company Limited* (廈門泰成集團有限公司) and was principally responsible for strategic development and operations management including lease renewal and property management, as well as the planning, development and promotion of different projects, including a commercial property project with six levels of commercial units and a total of 12,000 square meters.

* *For identification purpose only*

REPORT OVERVIEW

China All Nation International Holdings Group Limited along with its subsidiaries is pleased to present its Environmental, Social and Governance ("**ESG**") Report (the "**Report**").

The Company is an investment holding company and its subsidiaries are principally engaged in (i) the provision of civil engineering consulting and contracting services in Hong Kong, (ii) property sub-leasing and management business in the PRC, (iii) interior design and decoration services in both Hong Kong and the PRC, as well as (iv) commodity trading business in the PRC. Both offices in Hong Kong and in the PRC are covered within this Report. However, since the Group started its commodity trading business in March 2021, it is currently not financially material. Hence, this Report does not disclose the ESG performance of the Group's commodity trading business. We shall collect disclose relevant information once this segment becomes more material. Unless otherwise specified, this Report covers the fiscal year from 1 August 2020 to 31 July 2021 (the "**Reporting Period**").

The purpose of this Report is to disclose the Group's ESG management approach and to provide stakeholders with an overview of the Group's efforts regarding ESG impacts arising from its key operations. All information is prepared and published based on existing policies, practices, and official documents in an accurate, genuine, and transparent manner. This Report is prepared in compliance with the "Mandatory Disclosure Requirements" and the "Comply or explain" provisions of the Environmental, Social and Governance Reporting Guide (the "**ESG Guide**") under Appendix 20 of the GEM Listing Rules on the Stock Exchange, and adheres to the following reporting principles:

Materiality	This Report is structured based on the materiality of respective ESG issues, which are further assessed and verified through the stakeholder engagement exercise and materiality assessment. For more information, please refer to the subsection "Materiality Assessment" under the section "Sustainability Approach".
Quantitative	This Report discloses environmental and social key performance indicators ("**KPIs**") in accordance with the ESG Guide. The social KPIs cover offices in Hong Kong and PRC, while the environmental KPIs only cover the main office in Hong Kong as the PRC side is managed by a third-party property management company and relevant data is not readily available.
Balance	This Report provides an unbiased overview of the Group's ESG performance. It discloses both achievements and room for improvements moving forward.
Consistency	The reporting scope of this Report is the same as the preceding fiscal year. There has been no changes to the calculation frameworks and methods, KPIs used, or any other relevant factors.

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

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Telephone	(852) 3622-2953
Email	feedback@allnationinternational.com

CORPORATE PROFILE

The Company is an investment holding company and its subsidiaries are principally engaged in (i) the provision of contracting, project management and civil engineering consulting businesses in Hong Kong, (ii) property sub-leasing and management business in the PRC, (iii) interior design and decoration services in both Hong Kong and the PRC, as well as (iv) commodity trading business in the PRC.

Original Businesses

The Group mainly engages as a consultant, contractor and project manager in the following civil engineering services:

- **Engineering Consulting**

  Develop cost-effective structural and geotechnical engineering designs and provide site supervision services for developers and contractors in private development and public work projects in Hong Kong.

- **Contracting**

  Specialise in design-and-build projects in the foundation and related geotechnical works of various property development and civil engineering projects in Hong Kong.

- **Project Management**

  Provide technical advice on the planning of design submissions and supervision of the site works, and assist foundation and geotechnical contractors in the overall planning and management of the work schedules as well as the logistical arrangements of the workers, materials, machinery and other resources required at work sites.

Property Sub-Leasing and Management

In view of the high demand of small size offices in grade-A office buildings and the entry barrier for small scale or start-up companies, the Group completed its acquisition of 100% equity interest in ZSGT# (深圳中深國投資產管理有限公司) in November 2018. The principal business is sub-leasing of office premises, which can be further sub-categorised into three types, targeting different clientele:

- **Sub-Leasing of Premises**

  Lease office premises at grade-A commercial buildings with stylish decoration at affordable price to start-up and small-to-medium businesses.

- **Sub-Leasing Management**

  Leverage the Group's resources and research to provide potential premises and typical in-house leasing services to those enterprises requiring national presence with a lower cost.

- **Co-Work Space**

  Operate one rentable co-work space centre with auxiliary services located at the focal development area for hi-tech and innovative businesses in Shenzhen.

Interior Design and Decoration

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

Commodity Trading

During the Reporting Period, the Group commenced the commodity trading business by employing a management team with relevant commodities trading experience. Moving forward, the Group will actively engage with large-scale enterprises and state-owned enterprises as its reliable suppliers, aiming to bring steady economic benefits to the Group.

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During the Reporting Period, the Group generated a total revenue of approximately HK$166.9 million (2020: approximately HK$188.4 million) from the aforementioned businesses. During the Reporting Period, the COVID-19 pandemic continues to impact on the global economy. However, China's economy has recovered at a much faster pace than other countries. All the business segments of the Group, which mainly operated in the PRC and Hong Kong, were slightly affected by the lockdowns and suspension of business activities in 2020. The Group is optimistic about various complementary segments it operates in both the PRC and Hong Kong. Potential opportunities such as "Long Term Housing Strategies" and "Lantau Tomorrow" will revitalise the civil engineering industry in the near future. Meanwhile, as the PRC government continues publishing preferential policies to encourage innovation and start-up businesses, the number of start-up and small-to-medium businesses, as well as the demands for grade-A office premises are expected to surge in the long run.

Looking ahead, in order to stabilise the source of revenue, improve overall profitability, and mitigate business risks, the Group will maintain its effort to critically assess its existing business portfolio and make the necessary adjustments to streamline its operations. It will focus with care on higher margin and faster growing businesses. In order to sustain growth, the Group will continue to search for new investment opportunities to broaden its business portfolio and enlarges its earnings base so as to bring satisfactory return to its shareholders and stakeholders.

SUSTAINABILITY APPROACH

The concept of sustainability has evolved drastically in today's civil engineering industry. The public concerns go above and beyond minimum building codes to ensure that new construction works will not only be functional and safe, but also energy-efficient, durable, and incorporate environmentally friendly materials sourced by responsible suppliers that uphold sustainable business ethics. The Group's sustainable expectations have been extended to all stakeholders involved in the value chain of the civil engineering industry.

At the Group, sustainability is a focal point in every facet of our operations. Apart from a dedicated, comprehensive and systematic ESG management approach from the Board, we actively invite our key stakeholders such as shareholders and employees to contribute to our sustainable development. During the Reporting Period, we developed a long-term ESG strategy and targets, conducted a stakeholder engagement exercise and carried out materiality analysis to identify potential ESG issues. Supported by these varied sustainability approaches, we strive to thrive as a model corporate who optimises economic and social values in its business without compromising environmental resources in the civil engineering industry.

ESG Governance

The Board upholds the overall responsibility in overseeing, managing and formulating the Group's ESG management approach, strategy, and priorities. During the Reporting Period, in order to better identify, evaluate and prioritise material ESG issues, the Board appointed an independent sustainability consultancy to assist in the assessment and identification of material ESG issues, results of which were subsequently verified by the Board.

The Group adopts a three-tier risk management approach for evaluating ESG-related risks and opportunities, while ensuring that appropriate and effective ESG risk management and internal control systems are in place. All the potential business risks, including ESG-related risks, are preliminarily assessed and further managed by the Group's business units and finance department, as the first and second line of defence. Together with the Audit Committee, the Board acts as the third line of defence to ensure that relevant risks are effectively and constantly inspected and monitored.

With an aim of monitoring ESG performance and carrying out policy readjustment whenever possible, the Board also has the responsibility to facilitate the development of and review the progress against ESG-related goals and targets. Assisted by an independent sustainability consultancy, a set of environmental goals and targets were set during the Reporting Period. The Board had reviewed and confirmed goals and targets that are material to the Group's sustainable development. For more information, please refer to the subsection "Environmental Target" under the section "Protecting Our Environment".

ESG Strategy

Establishing a sound ESG strategy (the "**Strategy**") is essential for civil engineering and property sub-leasing service providers, as it could be a cornerstone to refine this traditionally energy-intensive sector by governing its operations in an eco-friendly manner. Apart from the environmental impacts directly generated by its energy-intensive operations, the civil engineering industry also indirectly generates extrinsic social impacts through the form of rehabilitation of public spaces, buildings and other infrastructure facilities. Hence, upholding an ESG strategy that appropriately intertwines environmental and social value can catalyse civil engineering companies to mitigate their environmental impacts, perfect their corporate governance whilst spreading sustainable value to stakeholders and society.

The Group always strives to embed ethical, responsible, and sustainable factors into our businesses. During the Reporting Period, we have developed a well-structured and well-communicated Strategy, aimed to articulate the Group's sustainability direction, as well as assure that sustainable development is considered in every facet of the Group's operations and business decisions. It also announces the Group's commitment to sustainable development and provides a clear framework for the Group in deploying resources, creating impacts and communicating results.

The Strategy has been developed with three long-term areas of focus in mind, which are instrumental in enabling the business to operate in a sustainable manner. These focus areas are Improving Our Business, Caring for Our People and Protecting Our Environment. Within each of the focus areas are core principles and pragmatic objectives to provide guidance on practicing sustainability in daily operations.

Improving Our Business

- Facilitate open communication with suppliers to maintain mutually beneficial relationships
- Strengthen management process to continuously improve quality assurance
- Deliver sound customer-oriented services that fulfils their needs
- Operate under high standard of business ethics and integrity across our operations

Caring for Our People

- Create good working conditions and a safe working environment
- Uphold the principles of fairness and equality during employment
- Provide and assist in professional staff training to foster career development
- Engage in community outreach that create positive benefits and promote the spirit of goodwill in society

Protecting Our Environment

- Optimise the usage of resources from the evaluation of energy and water patterns
- Adopt mitigation measures that minimise the negative effect on the environment
- Develop a culture of environmental awareness through the promotion of environmentally-friendly practices
- Abide by applicable environmental regulations

Stakeholder Engagement

Possessing a complex stakeholder network, the Group endeavours to foster transparent, interactive, and trustworthy connections with all stakeholders. We believe their interests, expectations and concerns intertwine with our performance and sustainable development. During the Reporting Period, we continued to adopt multiple channels to communicate with stakeholders. We also invited key stakeholder groups to take part in the identification, assessment, and discussion of our material ESG issues. Moving forward, we shall maintain long-term relationships with our stakeholders, and integrate their views and opinions into the Group's business activities and directions, so as to ultimately help us better align policies and strategies with consideration to their interests and expectations.

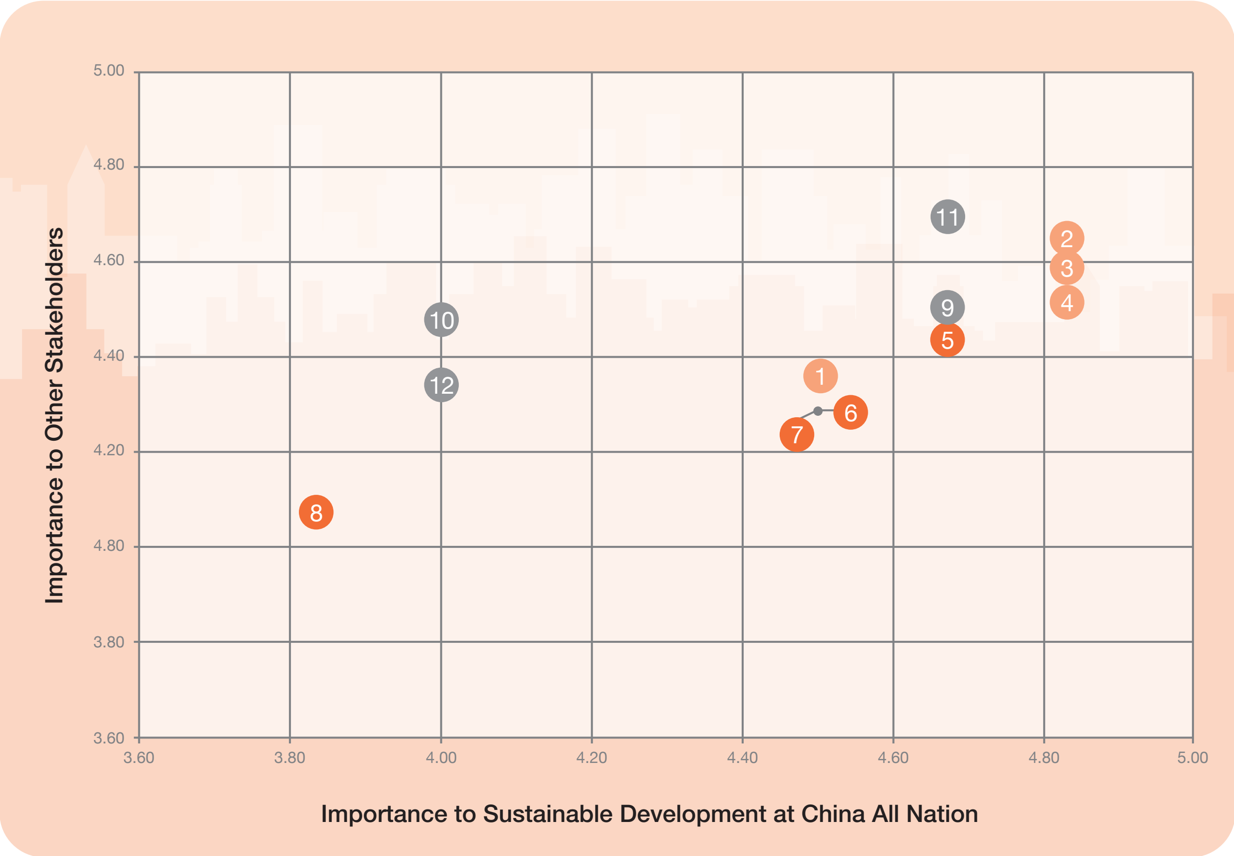
Stakeholder Group	Engagement Channel
Shareholders and Investors	Business Meetings
Employees	Correspondences
Customers	Performance Appraisal Meetings
Landlords	Personal Contacts
Lessees	Site Visits
Suppliers and Subcontractors	Company Websites
Community	Annual and Interim Reports
	Announcements

Materiality Assessment

In order to identify potential ESG issues that are material to the Group in an efficient and comprehensive manner, we commissioned an independent sustainability consultancy to assist in the identification of material ESG issues based on their importance to stakeholders as well as the Group's business development. The materiality assessment was conducted through online questionnaires, which contained a series of questions assessing the importance of ESG issues that have potential impact on the Group. We believe that this exercise allows us to understand the views of a variety of ESG issues from multiple perspectives. By analysing the answers to open-ended questions, we can also understand the Group's current sustainable development performance and identify room for improvements, whilst ensuring the Group's existing ESG practices, policies and strategies align with stakeholder expectations.

Step 1 **Identification**	Based on the following strategies, 12 material issues were identified. • Internal benchmark (previous ESG reports of the Group) • External benchmark (ESG reports of industry peers) • Online questionnaires
Step 2 **Prioritisation**	Online questionnaires were distributed to stakeholders across the Group. • 6 members of the Board and senior management ("**Management**") ranked the importance of material issues towards the Group's sustainable development. • 7 members of general staff along with 3 members of customers ("**Other Stakeholders**") ranked the importance of material issues based on their own preferences and expectations.
Step 3 **Validation**	The Board and Management confirmed and validated the list of material issues for disclosure in this Report.
Step 4 **Review**	The Board and Management reviewed the material issues and matrix to ensure a balanced view of the Group's sustainable performance and stakeholder expectations.

Based on the aforementioned approach, the 12 identified material issues were divided into three different aspects. Their relative importance had been transformed into figures through calculations, and were further plotted into a materiality matrix for easy understanding. Moving forward, the Group shall conduct this assessment on an annual basis to ensure all potential and emerging ESG issues are managed in a timely manner.



Aspect	Item	Issue	Score	Rank
Improving Our Business	1	Supply Chain Management	4.43	7
	2	Product Quality Assurance	4.73	1
	3	Customer Satisfaction	4.71	2
	4	Business Conduct	4.68	3
Caring for Our People	5	Occupational Health and Safety	4.56	6
	6	Talents Recruitment and Retention	4.39	8
	7	Training and Development	4.39	9
	8	Community Engagement	3.95	12
Protecting Our Environment	9	Environmental Compliance	4.57	5
	10	Environmental Impact Mitigation	4.24	10
	11	Resource Consumption Management	4.68	4
	12	Climate Change Adaptation	4.17	11

In order to determine the reporting structure for this Report, an average score was used to assess and represent the general importance of three major aspects. The recommended reporting structure is consistent with the average score of each aspect, which is shown below.

01
Improving Our Business

02
Protecting Our Environment

03
Caring for Our People

IMPROVING OUR BUSINESS

As a consultant, contractor, project manager as well as sub-leaser, the Group endeavours to continuously improve our business. We believe a well-recognised business with a good reputation can expedite and sustain our success. To this end, we uphold stringent requirements to deliver extraordinary products and services, conduct business activities with maximum alignment to responsible, sustainable and ethical business codes, as well as carry out rigorous management approaches toward our supply chain.

Product and Service

Being in diverse businesses enables the Group to deliver a variety of complementary products and services to its clients. From consultative solutions, construction projects, to sub-leasing services, we treat each kind of deliverable with the highest craftsmanship attitude. For our products, we endeavour to strengthen quality control and quality assurance processes to continuously improve the overall quality. For our services, we actively learn about customer's needs to provide sound customer-oriented services that fulfil their expectations.

Original Businesses and Interior Design and Decoration

As the Group outsources relevant tasks to appropriate subcontractors, we apply strict quality requirements for each subcontractor to ensure their work quality meets our expectations. Listed in our Standard Conditions for Subcontractors Commitment, subcontractors must comply with the following issues to ensure maximum quality of their construction works.

- Facilitate regular quality audits
- Submit certificate of origin and test report of materials and products to be used
- Provide materials delivery note to ensure the sources of origin and usage
- Submit construction reports for timely checking, recording and filing
- Attend site meetings with regards to quality issues

In the unlikely event of a delay in subcontractors' projects, the Group can request the subcontractor to carry out overtime work or mobilise additional resources to meet the target programme. If their works are found to be substandard and not meeting the requirements of contract drawings and specifications, the Group shall have the right to cancel the contract with the subcontractor and reappoint a new one to complete the works. The subcontractor shall indemnify the Group for any loss suffered during its reappointment.

During the Reporting Period, the Group did not have any construction works recalled or suspended for safety and health reasons.

Property Sub-Leasing and Management

The Group carries out a comprehensive approach that refines and perfects each stage of its operation to improve overall service quality. A feasibility study acts as our first step to carefully examine our sub-leasing properties before leasing to clients. We carefully consider the following factors to make sure all potential properties are in good condition, expecting clients' need and able to be sub-leased with relatively long lease terms.

Considerations for Potential Properties:

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

In order to ensure potential properties are in line with the Group's sub-leasing strategy that focuses on entrepreneurs, start-up businesses and small-to-medium enterprises, the Group conducts market research as its second step quality assurance approach. Based on the analysis of geographic locations and other tenants in the proximity of properties, it allows us to seek for potential sub-tenants in an accurate manner.

Prior to potential sub-leasing, we will conduct renovation and refurbishment for all sub-leasing properties for consistent aesthetic and functions. Our customer services department will carry out regular site inspections to ensure renovation processes are conducted in accordance with quality and safety procedures. Within the leasing period, we will also continuously optimise the user experience and provide a list of value adding services, including but not limited to:

- Offer repair, maintenance and renovation services
- Act as an agent between landlords and customers to establish efficient communications
- Other value-adding services

By providing one-stop comprehensive sub-leasing services, we believe it can help us maintain long-term relationships with our sub-tenants by enhancing brand attractiveness and optimising rental affordability. During the Reporting Period, we did not receive any material complaints regarding our property sub-leasing services.

Business Conduct

The Group aims to forge trustworthy and long-lasting relationships with its business partners. In doing so, we carry out business activities in an ethical, sincere and open manner. Throughout the engagement with subcontractors, sub-tenants, as well as other customers and partners, we uphold stringent principles to educate our employees and refine our business conducts relating to anti-corruption, labour standards, and information privacy and other rights.

Anti-Corruption

The Group believes in fairness and honesty in business dealings. All employees of the Group are required to showcase their integrity and comply with ethical standards when conducting business activities. Without the prior consent of the Board, employees are prohibited to accept any kinds of benefits such as gratuity, loan, gift or favour from third parties. Acceptance of or solicitation for any such benefits will also result in disciplinary actions by the Group.

We implemented a whistleblower programme that aims to encourage and enable employees to raise serious concerns about possible improprieties in matters of financial reporting, compliance and other malpractices at the earliest opportunity and in an appropriate way. If we receive any concerns raised by employees, a responsible officer would be appointed to carry out further investigation. Employees who have raised concerns would be informed of the handling details and results. Throughout the process, employees' identities will not be disclosed without prior consent.

During the Reporting Period, the Group has ensured compliance with the laws and regulations that are considered significant to the Group, including but not limited to Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong), which provides for the imposition of requirements relating to customer due diligence and record-keeping on specified financial institutions and designated non-financial businesses and professions and other matters relating to anti-money laundering and counter-terrorist financing. By continuously monitoring our employees' business conduct through the aforementioned whistleblowing policy, the Group was not aware of any non-compliance with relevant laws and regulations that had a significant impact on the Group relating to bribery, extortion, fraud and money laundering.

Labour Standards

The Group strictly complies with relevant labour laws and regulations in Hong Kong and the PRC. Prior to the hiring of all personnel, we thoroughly perform background checks. Candidates who fail to provide required documents or under legal employment age will not be recruited.

In the Original Businesses, we extend our requirements to all subcontractors. As outlined in the Group's established policy "Prevention From Employment of Illegal Immigrants Code", hiring workers who fail to provide valid working permits, identity cards or other relevant documents issued by respective regulatory bodies is strictly prohibited. Our security guards and patrol squads conduct entrance and spot inspections to ensure the working eligibility of workers on site.

In the unlikely event where any illegal worker is found, we shall notify the relevant subcontractor to carry out further investigation in a timely manner, and request the relevant personnel to leave the construction site. We also have the right to refer workers who fail to present their identification documents to the police.

During the Reporting Period, the Group has ensured compliance with the laws and regulations that are considered significant to the Group, including but not limited to Employment Ordinance (Cap. 57 of the Laws of Hong Kong), which provides for the protection of the wages of employees and the general conditions of employment in Hong Kong. By appointing responsible groups to oversee the working eligibility of workers, the Group was not aware of any non-compliance with relevant laws and regulations that had a significant impact on the Group relating to preventing child and forced labour.

Privacy and Other Rights

The Group strives to safeguard and respect the privacy of its customers. We require employees to handle and process confidential information including but not limited to customers' personal information with due care. Unauthorised disclosure may lead to disciplinary or legal actions.

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

During the Reporting Period, the Group has ensured compliance with the laws and regulations that are considered significant to the Group, including but not limited to Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong), which protects the privacy of individuals in relation to personal data. By closely monitoring our internal processes, the Group was not aware of any non-compliance with relevant laws and regulations that had a significant impact on the Group relating to customer privacy and intellectual property rights.

Supply Chain

Supply chain management is an indispensable and intricate process at the Group. We have different business roles, each of which has a supply chain with unique focuses in respective industries. Nevertheless, we still actively adopt different approaches to optimise our supply chains based on specific business features. For the Original Businesses and interior design and decoration, we pay great attention to the health and safety performance along its entire supply chain. For sub-leasing business, we focus on improving the market stability of its supply chain.

Original Businesses and Interior Design and Decoration

The Group pays great attention to the supply chain management of the Original Businesses and interior design and decoration. With the aim to create a hazard-free supply chain, the Group has created strict regulations on the health and safety responsibilities of subcontractors. In order to ensure a smooth operation in their own working site, we formulated the following three-step engagement approach to select, evaluate, and manage our subcontractors in a continuous manner. During the Reporting Period, we engaged 2 subcontractors and 157 subcontractors in the Original Businesses and interior design and decoration respectively.

Step 1 Selection	• Conducted by the General Manager or Project Manager, all subcontractors are subject to a formal assessment on their health and safety matters before they are selected to be eligible to tender for subcontract works • Only those who have obtained at least 60% of the total score in the assessment form are qualified as approved subcontractors • Specific risk assessment and safety rules related to the subcontract work will be further distributed to respective subcontractors
Step 2 Evaluation	• Following the selection procedure, the General Manager or Project Manager is responsible for carrying out an evaluation of the safety performance of subcontractors on a biannual basis
Step 3 Management	• Safety topics such as rules and regulations, emergency plan, risk assessment shall be explained with subcontractors in the Subcontract Meeting prior to the work commencement • Further communication and coordination with subcontractors on health and safety matters will be conducted in the Site Safety Committee Meeting • Safety Warning Notice will be issued to subcontractors to ensure their compliance of safety and health requirements on site

Apart from aforementioned engagement approaches, we have the Standard Conditions for Subcontractors Commitment in place, which clearly states subcontractors' operational conduct with regards to environmental regulations, labour standards and other material ESG responsibilities. All subcontractors must comply with these requirements throughout their operations.

Furthermore, in promoting environmental preferable services, we prefer to engage with subcontractors who operate in accordance with the ISO 14001:2004 Environmental Management System. We also formulated the Subcontractors' Responsibilities on Environmental Issues Policy. By requiring subcontractors to comply with environmental regulations including but not limited to air emissions, wastes disposal, sewage treatment, noise control, and resources consumption, we cooperate with them to ensure they fulfil relevant specifications and statutory environmental requirements, and refine their construction methods to reduce negative impacts on the environment.

Property Sub-Leasing and Management

In our sub-leasing and management business, increasing its reliability and stability whilst mitigating the market risks among our supply chain is the Group's focus. Our marketing department spares no effort to engage its sub-tenants and landlords. Through our day-to-day interactions with them, we possess crucial user-lead information serving as a cornerstone for our further market analysis. For more information, please refer to the subsection "Product and Service" under this section.

Upon review and approval from the Management, the Group will conduct inspections and prepare sub-leasing proposals to negotiate with landlords. In order to clearly define the responsibilities and obligations of one another, factors such as rental level, rent-free period, and other lease terms will be fully communicated during the negotiation.

PROTECTING OUR ENVIRONMENT

The Group is highly aware of its environmental responsibility, as it will inevitably generate environmental impacts on surrounding neighbourhoods during construction activities. We actively explore each possibility to mitigate our environmental impacts and in the long run, transform those negative impacts into positive outcomes. Abiding by applicable environmental regulations serves as a keystone that enables us to develop environmental awareness through the promotion of environmentally friendly practices. We also adopt mitigation measures that minimise the negative impacts on the environment, whilst optimising the usage of resources from the evaluation of energy and water use patterns.

Resource Consumption

Construction Site

Resources including construction materials, electricity and water are consumed on construction sites. We did not encounter any issue in sourcing resources. By adopting the following guidelines, the Group strives to educate our employees and subcontractors to consume resources in a responsible manner. This not only helps the Group to control its operational cost, but most importantly, enhances the ideology of responsible consumption and facilitates the development of sustainable development in the long term.

Resource	Consumption Guidelines
Materials	• Use environmentally friendly materials as far as reasonably practicable • Order appropriate amount of materials with proper control and documentation on material flow • Utilise and handle materials in a proper manner to avoid wastage • Store surplus materials in specific areas to prevent deterioration
Electricity	• Set air-conditioner temperature above 22℃ whenever possible • Switch off unused equipment, machines, air-conditioners and unnecessary lighting after working hours • Post energy saving reminders in areas of power supply points
Water	• Turn off water supply when not in use and adjust flow to minimum rate • Reuse wastewater for general cleaning whenever practicable • Post water saving reminders in areas of water supply points

Office

The primary resources used by the Group in the office include electricity and water. By analysing our consumption pattern, we developed the following guidelines to minimise our resource consumption:

Resource	Consumption Guidelines
Paper	• Maintain printers on a regular basis • Encourage employees to print only when necessary
Electricity	• Use only LED, T5 or compact fluorescent lamp with energy labels • Assign employees to turn off lights when it was not in use or after office hours • Maintain all electrical appliances such as lamps, computers, water dispenser, fridges and fans on a regular basis • Encourage employees to lower the brightness of their monitor screen
Water	• Maintain and clean water dispensers, taps and pipes on a regular basis • Repair all external and internal leaks in a timely manner

Environmental Impact

Construction Site

As a contractor who offers services in the Original Businesses and interior design and decoration industry, we actively identify all possible impacts during our operations and establish corresponding guidelines that navigate us to work in a safe and eco-friendly manner.

Impact	Mitigation Measures
Air	• Install site hoarding, effective dust screens, sheeting and netting if necessary • Establish suitable haul road routing and site entrances to minimise dust generation • Cover stockpile materials by tarpaulin and shorten the storage time of materials on site • Provide vehicle washing facilities at all site exits to wash away any dusty materials before leaving the site
Noise	• Schedule the construction activities within 7AM to 7PM on weekdays • Adopt quiet powered mechanical equipment on site • Install noise barriers or enclosures on site • Liaise with nearby neighbourhoods to schedule a better arrangement of the noisy works
Sewage	• Identify wastewater discharge points before the commencement of works • Provide suitable site drainage facilities such as temporary ditches, draining pipes and culverts to prevent discharge of surface runoff into foul sewers or storm drains • Clean and remove the settled sediments in the site drainage system on a regular basis • Provide wheel washing facility at all site exits to prevent direct discharge of wastewater to storm drains
Solid Waste	**Non Construction Waste** • Clean all work areas to remove general litter and refuse on a regular basis • Hire professional waste collector to collect general waste and litter from sites for proper disposal • Prohibit burning of refuse at any construction sites **Construction Waste** • Apply different handling strategies of storing, transporting and disposing of different types of wastes • Provide separate containers for inert and non-inert wastes • Hire licensed collector to conduct regular waste collections

We also extend our environmental protection commitments and requirements to our subcontractors. For more information, please refer to the subsection "Supply Chain" under the section "Improving Our Business".

Office

The back offices mainly provide administrative support as well as professional services. They generate relatively limited impacts on the environment under the office-based scenario. Nevertheless, we still develop corresponding mitigation measures towards different material aspects in our daily operations. By encouraging our employees to comply with the following guidelines, we aim to realise green office practices with minimum environmental impacts.

Impact	Mitigation Measures
Hong Kong	
Ozone Layer	• Replace or prohibit the use of ozone-depleting substances in air-conditioners and fire extinguishers
Sewage	• Discharge domestic sewage into public sewers • Prohibit the discharge of effluent other than domestic sewage into foul sewers
Waste	• Reuse waste materials and return to suppliers for recycling • Pack and tighten up wastes that produce visual impact and odour nuisance before dumping • Maintain printers and fax machines on a regular basis to minimise waste paper
the PRC	
Waste	• Utilise a designated area to collect office wastes and recyclables • Monitor the generation of office wastes • Share waste collection records and progress to relevant stakeholders

During the Reporting Period, the Group has ensured compliance with the laws and regulations that are considered significant to the Group, including but not limited to Air Pollution Control Ordinance (Cap. 311 of the Laws of Hong Kong), which provides for abating, prohibiting and controlling pollution of the atmosphere. By promoting mitigation guidelines in both construction sites and offices, the Group was not aware of any non-compliance with relevant laws and regulations that had a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Climate Change

Extreme weather events and sea level rise are becoming more frequent as a result of climate change. The urgency for each enterprise to leverage its advantages and response to climate change is emerging. Since the industrial revolution, greenhouse gas ("**GHG**") has been deemed as the primary factor that contributes to the unstoppable global warming situation. In order to transition into a low carbon economy, companies must start developing a comprehensive methodology to identify their carbon footprints and thereby mitigate GHG emissions.

The Group understands its responsibility and is dedicated to minimising its GHG emissions whilst seizing opportunities to help society achieve a low carbon lifestyle through its innovative civil engineering services. During the Reporting Period, our GHG emission mainly derived from the consumption of purchased electricity, and we did not have any direct emission source. In order to minimise our GHG emissions, we actively comply with our green office practices in electricity consumption. For more information, please refer to the subsection "Resource Consumption" under this section.

Apart from emission control, we also increase our resilience towards climate change from another angle. In order to assess climate-related risks in an efficient manner, we ensure all potential risks including climate-related risks are preliminarily assessed and further managed through our three-tier risk management approach. The Board and relevant committees will also carry out inspections towards the identified risks and determine if the corresponding strategy needs to be further adjusted.

Original Businesses and Interior Design and Decoration

During summers, our operational locations are prone to be affected by acute physical risks such as extreme weather conditions. To protect our employees and subcontractors' safety in construction sites as well as back offices, we establish special working arrangements on the occasions of typhoons and rainstorms. Abiding by relevant regulations of the Labour Department, all employees are not required to report for duty and construction activities shall be halted under certain circumstances.

Property Sub-Leasing and Management

The Group is currently developing climate change policy for sub-leasing business. Moving forward, we will integrate climate-related risk assessment into our sub-leasing management business. To minimise transition risks, we will enhance the identification process towards our prospective customers, by adopting a more thorough examination and assessment towards those who are involved in carbon intensive sectors. Meanwhile, in order to avoid potential financial loss, we will also avoid sourcing properties in areas that are vulnerable to frequent and severe climate events.

Environmental Target

Constant monitoring and evaluation of environmental KPIs are crucial to assess the Group's performance in environmental protection. During the Reporting Period, we contracted an independent sustainability consultancy to assist us in setting environmental targets for back office in Hong Kong. The following targets serve as periodical checkpoints for the Group's environmental protection commitments. Moving forward, we shall conduct a gap analysis that reviews our environmental performance and goals on an annual basis to align our operation with the environmental targets.

Aspect	Target
GHG Emissions	• By 2023, reduce absolute GHG emissions (Scope 1 & 2) by 65%, compared to a 2018/19 baseline
Energy Consumption	• By 2023, make sure at least 30% of newly purchased electric appliances in offices are those with energy-saving labels • By 2023, reduce absolute energy usage by 70%, compared to a 2018/19 baseline

CARING FOR OUR PEOPLE

The Group treats its people as the most valuable asset. We strive to foster a healthy and safe workplace in our construction sites and offices, reach diversified and inclusive employment practices, as well as provide attractive benefits and tailor-made training programmes for all employees' long term development. By intertwining our people with surrounding communities, we actively engage with them to realise efficient and effective engagement on both employment and community level.

Occupational Health and Safety

Creating good working conditions and a safe working environment is the Group's first priority. We adopt specified safety guidelines for construction sites and offices practices, as we understand there are different focuses and material aspects on these two scenarios.

Original Businesses and Interior Design and Decoration

As a contractor, the Group is concerned with the wellbeing of both its own employees and its subcontractors' employees at construction sites. Communicated in our Staff Handbook, our employees need to be aware of the Group's fire precautions instruction, including understandings on the use of fire extinguishers, fire escape routes in the workplace, and other emergency responses when encountering a fire.

During the Reporting Period, Hong Kong was still under the epidemic of coronavirus disease 2019 ("**COVID-19**"). In order to maintain workplace hygiene and prevent potential infections, we require employees to wear masks in the office. If employees notice any unsafe conditions such as feeling sick or being injured at work, they are encouraged to report relevant cases to their Technical Directors or Managers immediately.

We established the Safety Rules for our subcontractors with an aim to align their occupational safety performance with the Group's requirements. As outlined in the policy, subcontractors are expected to meet the following requirements:

- Submit safety plans, method statements, risk assessments and other safety related documents prior to work commencement
- Equip employees with personal protective equipment including but not limited to safety helmets, safety footwear, independent lifelines, and breathing apparatus in performing onsite duties
- Store tools, machines, materials and other dangerous or chemical substances in a safe place and post warning notices or labels if necessary
- Install fire extinguishers at the site and keep ventilated at all times
- Report injuries and submit all the particulars of the injured person to the site agent of contractor for record

In order to continually monitor and assess the occupational safety performance of subcontractors, the Group will conduct regular site safety meetings and inspections, as well as evaluate subcontractors with a score-deduction system. Any negligence or violation of safety rules may lead to suspension of tendering qualification or early contract termination.

Property Sub-Leasing and Management

To realise a healthy and safe office-based operation, the Group complies with the following occupational health and safety practices. Our Staff Handbook also outlines the occupational health and safety code for employees, including but not limited to the aspects of personal hygiene maintenance, fire safety, and emergency response.

- Maintain an air exchange rate that meets standard requirements
- Maintain a good hygiene condition of washrooms and pantries
- Empty garbage bins and replace garbage bags in a daily basis
- Disinfect public areas on a regular basis
- Close down common areas where possible (including break rooms, kitchens, lounge areas)
- Test and certify all fire control equipment on a regular basis
- Collect the emergency contact of all employees and create emergency contact list

During the Reporting Period, the Group has ensured compliance with the laws and regulations that are considered significant to the Group, including but not limited to Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong), which ensures the safety and health of persons when they are in their workplace. By formulating and adhering to the aforementioned safety policies in construction sites and offices, the Group was not aware of any non-compliance with relevant laws and regulations that had a significant impact on the Group relating to occupational health and safety.

Employment Practice

Attracting potential talents and providing them a prospective career path is a cornerstone for the Group to deliver professional, innovative and reliable services. We rigorously recruit candidates who are deemed to match our expectations. By offering a comprehensive remuneration package and up-to-date training programmes, we aim to maximise employees' satisfaction whilst accomplishing a greater business as a whole.

Recruitment and Remuneration

The Group is dedicated to ruling out discrimination in the recruitment and promotion process during employment. We only engage employees and candidates based on their work and interview performance, and ensure they are entitled to equal opportunities, regardless of nationality, race, gender, sexual orientation, age, marital status and religious beliefs. Only those who pass our interview assessment, and promptly submit necessary identification documents such as academic certificates and qualifications can be recruited. Employee salaries and positions will be adjusted appropriately depending on the Group's operations and the results of individual employee assessments.

We have an incentive remuneration policy in place. Apart from the basic remuneration and benefits such as basic salary, statutory holidays, mandatory provident fund scheme, annual leave, sick leave, and maternity leave, all employees are entitled to additional benefits including performance-related discretionary bonuses and overtime allowance. In the PRC, the Group also adopts the principle of equal pay for equal work (同工同酬), which is to determine employees' salary based on the complexity of the positions, the required professional skills, and contributions to the Group.

During the Reporting Period, the Group has ensured compliance with the laws and regulations that are considered significant to the Group, including but not limited to Employment Ordinance (Cap. 57 of the Laws of Hong Kong), which provides for the protection of the wages of employees and the general conditions of employment in Hong Kong. By reviewing recruitment process as well as remuneration and benefit package on a regular basis, the Group was not aware of any non-compliance with relevant laws and regulations that had a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

Training and Development

Original Businesses and Interior Design and Decoration

Equipping with sufficient occupational and technical knowledge is essential for our employees to achieve a smooth operation in construction sites. In order to ensure the efficiency of our projects, whilst assisting them to become industrial professionals and facilitate their career development in the industries, we carry out appropriate training for different purposes.

Safety Training
Employees who work on construction sites shall attend safety induction sessions arranged by our officers before commencing work on construction sites.
Mandatory Basic Safety Training Course (Construction Work) Programme
• Potential hazards of works • Principles of accident prevention • Emergency preparedness • Safety in the formation and excavation • Lifting and handling • Personal protective equipment • Safety in scaffolds • Working platforms and ladders • Control of construction wastes

Property Sub-Leasing and Management

The Group aims to provide employees with diversified knowledge that is not confined to their own career purpose. We have established varied programmes since the first day they joined the family, including induction training, position training, and other training covering different aspects of work and life. Subject to the results of the annual performance review, existing employees also have the chance to take on additional skills workshops or programmes to enhance their work performance.

Induction Training
The Human Resources Administration Centre (人力行政中心) introduces corporate history, culture as well as policies and regulations to new recruits, with an aim to help them adapt to the working environment in a timely manner.
Position Training
The head of department provides employees with specific training on the position duties and relevant skill sets, so as to clarify the job responsibilities and align employee performance with the position requirements.
Other Training
• Basic Knowledge Training on Social Insurance and Provident Fund • Mentality Training • Knowledge Training on COVID-19 Control and Prevention

Communication and Engagement

We actively promote employee communication and community engagement, as we believe that positive, transparent and sincere connections with people and communities nearby would conversely align the Group's business direction and market insight with the latest development of commercial society.

Original Businesses and Interior Design and Decoration

The Group established grievance procedures for employees to directly raise their opinion, advice, and grievance regarding employment to the Board for further solutions. To keep abreast of the latest business and operation circumstances of the Group, employees can access internal notices issued by the Board and different business units. We also hold performance reviews on an annual basis, aimed to provide employees and the Management an opportunity to engage in open conversation with regards to their performance, career development and areas for improvements.

As a responsible constructor, we extend our concerns to the surrounding communities and intertwine our business development with their wellbeing. We strive to operate in an eco-friendly manner, so as to minimise the adverse environmental impacts on our neighbourhoods. For more information, please refer to the section "Protecting Our Environment".

Property Sub-Leasing and Management

The Group established the Employee Relationship Management policy at sub-leasing and management office, which encompasses a list of rewards and punishment guidelines. We encourage socially responsible, ethical and well-mannered behaviours while penalising social misconduct, such as irresponsible dumping acts and indoor smoking. In order to maintain a tight connection with employees and increase their team-working ability, we also organised a team building activity during the Reporting Period. Moving forward, we would also explore other team building events to enhance employee communication and engagement through varied methods.

LAWS AND REGULATIONS

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

Improve Our Business
Hong Kong
• Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong)
• Companies Ordinance (Cap. 622 of the Laws of Hong Kong)
• Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong)
• Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong)
Protecting Our Environment
Hong Kong
• Air Pollution Control Ordinance (Cap. 311 of the Laws of Hong Kong)
• Noise Control Ordinance (Cap. 400 of the Laws of Hong Kong)
• Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong)
Caring for Our People
Hong Kong
• Employment Ordinance (Cap. 57 of the Laws of Hong Kong)
• Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong)
• Minimum Wage Ordinance (Cap. 608 of the Laws of Hong Kong)
• Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong)
• Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong)
PRC
• Employment Promotion Law of the People's Republic of China
• Labour Law of the People's Republic of China
• Labour Contract Law of the People's Republic of China
• Regulation on Public Holidays for National Annual Festivals and Memorial Days

KPIS SUMMARY

Environmental KPIs

KPIs	Unit	Total	Hong Kong	PRC
GHG Emissions[1]				
GHG Emissions (Scope 2)	tCO_2e–	3.98	3.98	–
GHG Emissions (Total)	tCO_2e–	3.98	3.98	–
GHG Emissions Intensity By FTE	tCO_2e–/Person	0.09	0.44	–
Energy and Resources Consumption				
Electricity Usage	kWh	5,612.60	5,612.60	–
Energy Usage	MJ	20,205.36	20,205.36	–
Energy Usage Intensity By FTE	MJ/Person	449.01	2,245.04	–
Paper Usage	Tonnes	0.24	–	0.24
Paper Usage Intensity By FTE	Tonnes/Person	0.01	–	0.01

1 The quantification methodology is based on the following standards:

- Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong
- The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard
- Hong Kong Electric Investments Sustainability Report 2020

Social KPIs

KPIs	Unit	Total	Hong Kong	PRC
Workforce (full-time staff only)				
Total Workforce				
Total Workforce	Person	45	9	36
Workforce By Gender				
Male	Person	19	4	15
Female	Person	26	5	21
Workforce By Employment Level				
Senior Level	Person	10	7	3
Intermediate Level	Person	16	2	14
General Level	Person	19	0	19
Workforce By Age Group				
<30	Person	21	1	20
30–40	Person	15	4	11
41–50	Person	7	2	5
>50	Person	2	2	0
Workforce By Geographical Region				
PRC	Person	36	0	36
Hong Kong	Person	9	9	0
Turnover Rate				
Total Turnover Rate				
Total Turnover Rate	%	81.82	36.36	96.97
Turnover Rate By Gender				
Male	%	88.37	66.67	96.77
Female	%	75.56	0.00	97.14
Turnover Rate By Age Group				
<30	%	150.00	0.00	158.82
30–40	%	26.67	22.22	28.57
41–50	%	35.29	66.67	18.18
>50	%	80.00	40.00	N/A
Turnover Rate By Geographical Region				
PRC	%	96.97	N/A	96.97
Hong Kong	%	36.36	36.36	N/A

KPIs	Unit	Total	Hong Kong	PRC
Occupational Health and Safety				
Work-Related Fatalities[2]	Case(s)	0	0	0
Lost Days Due To Work Injury	Day(s)	0	0	0
Training and Development				
Percentage of Employees Trained By Gender				
Male	%	0.00	0.00	0.00
Female	%	3.85	20.00	0.00
Percentage of Employees Trained By Employment Level				
Senior Level	%	10.00	14.29	0.00
Intermediate Level	%	0.00	0.00	0.00
General Level	%	0.00	N/A	0.00
Average Training Hours By Gender				
Male	Hour(s)	0.00	0.00	0.00
Female	Hour(s)	0.38	2.00	0.00
Average Training Hours By Employment Level				
Senior Level	Hour(s)	1.00	1.43	0.00
Intermediate Level	Hour(s)	0.00	0.00	0.00
General Level	Hour(s)	0.00	N/A	0.00
Supply Chain				
Suppliers By Geographical Region				
Hong Kong	No.	8	8	0
PRC	No.	346	0	346
Product and Service				
Products Recall Rate for Safety and Health Reasons	%	0	0	0
Products and Service Related Complaints	Case(s)	0	0	0
Anti-corruption				
Concluded Legal Cases Regarding Corrupt Practices	Case(s)	0	0	0

[2] There were no reported cases during FY 2018/19 and FY 2019/20.

STOCK EXCHANGE ESG GUIDE CONTENT INDEX

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
Mandatory Disclosure Requirements		
Governance Structure		
	A statement from the board containing the following elements: i) a disclosure of the board's oversight of ESG issues; ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	**Sustainability Approach** — ESG Governance — ESG Strategy
Reporting Principles		
	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG Report: Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement. Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be discussed. Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	**Report Overview** **Sustainability Approach** — Stakeholder Engagement — Materiality Assessment **KPIs Summary** — Environmental KPIs
Reporting Boundary		
	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	**Report Overview**

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
"Comply or explain" Provisions		
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	**Protecting Our Environment** — Environmental Impact — Climate Change **Laws and Regulations**
KPI A1.1	The types of emissions and respective emissions data.	The Group did not have any air emissions source.
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	**Protecting Our Environment** — Environmental Impact — Climate Change **KPIs Summary** — Environmental KPIs
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	The Group did not generate any hazardous waste.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	The Group's non-hazardous waste documentary system is under development. We shall record and disclose relevant data moving forward.
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	**Protecting Our Environment** — Environmental Target
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	**Protecting Our Environment** — Environmental Impact The Group's did not set any waste reduction target, as it is considered insignificant to the Group's operation.

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
"Comply or explain" Provisions		
A. Environmental		
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	**Protecting Our Environment** — Resource Consumption
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	**KPIs Summary** — Environmental KPIs
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	The Group did not have any water consumption record, as it is managed by a third-party property management company.
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	**Protecting Our Environment** — Environmental Target
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	**Protecting Our Environment** — Resource Consumption The Group's did not set any water efficiency target, as relevant data is not available and it is considered insignificant to the Group's operation.
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The Group did not consume any packaging material.
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	**Protecting Our Environment** — Resource Consumption — Environmental Impact
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	**Protecting Our Environment** — Resource Consumption — Environmental Impact
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	**Protecting Our Environment** — Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	**Protecting Our Environment** — Climate Change

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
"Comply or explain" Provisions		
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	**Caring for Our People** — Employment Practice (Recruitment and Remuneration) **Laws and Regulations**
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	**KPIs Summary** — Social KPIs
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	**KPIs Summary** — Social KPIs
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	**Caring for Our People** — Occupational Health and Safety **Laws and Regulations**
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	**KPIs Summary** — Social KPIs
KPI B2.2	Lost days due to work injury.	**KPIs Summary** — Social KPIs
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	**Caring for Our People** — Occupational Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	**Caring for Our People** — Employment Practice (Training and Development)
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	**KPIs Summary** — Social KPIs
KPI B3.2	The average training hours completed per employee by gender and employee category.	**KPIs Summary** — Social KPIs

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
"Comply or explain" Provisions		
B. Social		
Employment and Labour Practices		
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	**Improving Our Business** — Business Conduct (Labour Standards) **Laws and Regulations**
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	**Improving Our Business** — Business Conduct (Labour Standards)
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	**Improving Our Business** — Business Conduct (Labour Standards)
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	**Improving Our Business** — Supply Chain
KPI B5.1	Number of suppliers by geographical region.	**KPIs Summary** — Social KPIs
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	**Improving Our Business** — Supply Chain
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	**Improving Our Business** — Supply Chain
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	**Improving Our Business** — Supply Chain

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
"Comply or explain" Provisions		
B. Social		
Operating Practices		
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	**Improving Our Business** — Product and Service — Business Conduct (Privacy and Other Rights)
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	**KPIs Summary** — Social KPIs
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	**KPIs Summary** — Social KPIs
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	**Improving Our Business** — Business Conduct (Privacy and Other Rights)
KPI B6.4	Description of quality assurance process and recall procedures.	**Improving Our Business** — Product and Service
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	**Improving Our Business** — Business Conduct (Privacy and Other Rights)
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	**Improving Our Business** — Business Conduct (Anti-Corruption)
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	**KPIs Summary** — Social KPIs
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	**Improving Our Business** — Business Conduct (Anti-Corruption)
KPI B7.3	Description of anti-corruption training provided to directors and staff.	The Group had provided anti-corruption training to directors and staff in previous fiscal years. Due to COVID-19, we did not provide updated training to directors and staff during the Reporting Period.

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
"Comply or explain" Provisions		
B. Social		
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	**Caring for Our People** — Communication and Engagement
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Due to COVID-19, the Group did not engage in any community activity. We shall consider gathering efforts to engage them directly moving forward.
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Due to COVID-19, the Group did not engage in any community activity. We shall consider gathering efforts to engage them directly moving forward.

Pursuant to Rule 18.44 of the GEM Listing Rules, the Board is pleased to present hereby the corporate governance report of the Company for the year ended 31 July 2021.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**Code**") in Appendix 15 of the GEM Listing Rules. During the year ended 31 July 2021, save as disclosed in this annual report, the Company had complied with the applicable code provisions of the Code as set out in Appendix 15 to the GEM Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision A.2.1 of the Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. During the year ended 31 July 2021, there have been no chief executive officer in the Company. Mr. Lin Ye acted as the Chairman of the Board, and is responsible for the overall management and formulation of business strategy of the Group.

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

BOARD OF DIRECTORS

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

1. to develop and review the policies and practices on corporate governance of the Group and make recommendations;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and

5. to review the Company's compliance with the Code and disclosure in the corporate governance report of the Company.

Composition of the Board

Up to the date of this annual report, the Board comprises six Directors, including three executive Directors and three independent non-executive Directors ("**INED**"). In particular, the composition of the Board during the year ended 31 July 2021 and as at the date of the annual report is set out as follow:

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

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

In compliance with rules 5.05(1) and 5.05A of the GEM Listing Rules, the Board consisted of three INEDs during the year ended 31 July 2021. During the year ended 31 July 2021 and as of the date of this annual report, the number of INEDs represents more than one-third of the Board. As such, there is a strong independent element in the Board to provide independent judgement.

The Company has entered into a service agreement with each of the INEDs for a term of one to two years, which may be terminated earlier by not less than one or two months' written notice served by either party on the other.

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

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

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

Board and General Meetings

During the year ended 31 July 2021, 9 board meetings and 1 general meeting were held.

The attendance of the respective Directors at the meetings in the year ended 31 July 2021 are set out below:

	Meetings Attended/Held	
	Board meeting	**General meeting**
Executive Directors		
Mr. Lin Ye *(Chairman)*	9/9	1/1
Mr. Au Siu Chung *(Compliance Officer)*	8/9	1/1
Mr. Yuan Shuang Shun (Resigned with effect from 10 February 2021)	5/9	1/1
Ms. Xiao Yi Liao Ge	8/9	1/1
Independent Non-executive Directors		
Ms. Kwong Ka Ki	9/9	1/1
Ms. Guo Liying	9/9	1/1
Mr. Yu Hua Chang	9/9	1/1

RELATIONSHIPS AMONG MEMBERS OF THE BOARD

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

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standards set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by Directors in respect of the shares of the Company (the "**Code of Conduct**"). The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct during the year ended 31 July 2021.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

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

During the year ended 31 July 2021, the Company has complied with code provision A.6.5 of the Code that all Directors (being Mr. Lin Ye, Mr. Au Siu Chung, Ms. Xiao Yi Liao Ge, Ms. Kwong Ka Ki, Mr. Yu Hua Chang and Ms. Guo Liying) have attended seminars on the updates of the GEM Listing Rules concerning good corporate governance practices or read newspapers, journals and updates relating to the economy, general business and corporate governance. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they keep abreast with the current requirements under the GEM Listing Rules.

BOARD COMMITTEES

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

AUDIT COMMITTEE

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

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

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

1. to make recommendations to the Board on the appointment, re-appointment and removal of the Company's external auditors, and approve the remuneration and terms of engagement of the Company's external auditors;

2. to review and monitor the Company's external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

3. to develop and implement policy on engaging the Company's external auditors to supply non-audit services, if any;

4. to monitor integrity of the Company's financial statements and annual report and accounts, half-year report, quarterly report and review significant financial reporting judgements contained in them;

5. to discuss with the Company's external auditors questions and doubts arising in audit of annual accounts;

6. to review the letter of the Company's management from the Company's external auditors and the management's response;

7. to review the statement about the Company's internal control system as included in the Company's annual report prior to submission for the Board's approval;

8. to review the Company's financial reporting, financial controls, internal control and risk management systems;

9. to discuss the risk management and internal control system with the Company's management to ensure that management has performed its duty to have an effective systems;

10. to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

11. to review the financial and accounting policies and practices of the Group;

12. to review the external auditor's management letter, any material queries raised by the auditor to the management in respect of accounting records, financial accounts or systems of control and management's response;

13. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

14. to report to the Board on that matters pursuant to the terms of reference of the Audit Committee and consider other topics as defined by the Board; and

15. to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

During the year ended 31 July 2021, the Audit Committee had reviewed the Group's unaudited quarterly results for the three months ended 31 October 2020, unaudited interim results for the six months ended 31 January 2021, unaudited quarterly results for the nine months ended 30 April 2021 and discussed internal controls and financial reporting matters. The Audit Committee had also reviewed audited annual results for the year ended 31 July 2021, this annual report, and confirmed that this annual report complies with the applicable standard, the GEM Listing Rules, and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors.

The Board is of the view that the Audit Committee has properly discharged its duties and responsibilities during the year ended 31 July 2021 and up to the date of this annual report.

For the year ended 31 July 2021, the Audit Committee had held 4 meetings. The attendance records of the members of the Audit Committee are summarised below:

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

REMUNERATION COMMITTEE

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

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

1. to consult the chairman of the Board and/or chief executive about their remuneration proposals for other executive Directors;

2. to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

3. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

4. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

5. to make recommendations to the Board on the remuneration of non-executive Directors;

6. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries;

7. to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

8. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

9. to ensure that no Directors or any of his associates is involved in deciding his own remuneration.

The attendance records of the members of the Remuneration Committee for the year ended 31 July 2021 are summarised below:

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

During the year ended 31 July 2021, the Remuneration Committee reviewed and made recommendation on the remuneration package of senior management of the Group. The Board is of the view that the Remuneration Committee has properly discharged its duties and responsibilities during the year ended 31 July 2021 and up to the date of this annual report.

NOMINATION COMMITTEE

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

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

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on proposed changes, if any, to the Board to complement the Company's corporate strategy;

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

3. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

4. to assess the independence of INEDs; and

5. to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

The attendance records of the members of the Nomination Committee for the year ended 31 July 2021 are summarised below:

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

During the year ended 31 July 2021, the Nomination Committee reviewed the structure, size and composition of the Board and assessed the independence of INEDs. The Board is of the view that the Nomination Committee has properly discharged its duties and responsibilities during the year ended 31 July 2021 and up to the date of this annual report.

NOMINATION POLICY

The Board has approved and adopted the nomination policy which sets out the principles guiding the Nomination Committee to identify and evaluate a candidate for nomination to the Board for appointment or to the shareholders of the Company for election as Director. The policy contains a number of factors to which the Nomination Committee has to adhere when considering nominations. These factors include the candidate's skills and experience, diversity perspectives set out in the board diversity policy, the candidate's time commitment and integrity, and the independence criteria under Rule 5.09 of the GEM Listing Rules if the candidate is proposed to be appointed as an INED. The policy also sets out the following nomination procedures: the nomination committee (a) will take appropriate measures to identify and evaluate a candidate; (b) may consider a candidate recommended or offered for nomination by a shareholder of the Company; and (c) will, on making the recommendation, submit the candidate's personal profile to the Board for consideration.

BOARD DIVERSITY POLICY

The Board has approved and adopted the board diversity policy which sets out the approach to achieve diversity on the Board. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates may bring to the Board.

LEGAL COMPLIANCE COMMITTEE

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

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

The attendance records of the members of the Legal Compliance Committee are for the year ended 31 July 2021 are summarised below:

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

AUDITORS' REMUNERATION

During the year ended 31 July 2021, the Group engaged Moore Stephens CPA Limited ("**Moore**") as the Group's external auditors. The remuneration paid and payable to Moore is set out as follows:

Services rendered	**Fees paid/payable** HK$'000
Audit services	860
Non-audit services	516
	1,376

COMPANY SECRETARY

Ms. Lung Yuet Kwan ("**Ms. Lung**") was appointed as the Company Secretary of the Company on 1 May 2021. Ms. Lung has confirmed that she has undertaken not less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules.

COMPLIANCE OFFICER

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

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining an adequate system of internal controls and risk management within the Group. For the year ended 31 July 2021, the Board has also conducted its annual review of the effectiveness of the risk management and internal control system of the Group. The systems of internal controls and risk management are designed to facilitate effective and efficient operations, to safeguard assets and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations. They are also designed to provide reasonable, but not absolute, assurance that material misstatement or loss can be avoided, and to manage and minimize risks of failure in operation systems. In the future, the Group will conduct regular review of the Group's internal control and risk management systems and its effectiveness to ensure the interest of shareholders is safeguarded.

OBJECTIVES OF RISK MANAGEMENT AND INTERNAL CONTROL

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

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

PRINCIPLES OF INTERNAL CONTROL

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

THREE-TIER RISK MANAGEMENT APPROACH

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

During the year ended 31 July 2021, the Board appointed an independent professional consultancy firm to conduct an internal control review. Based upon the results of the internal control review which were submitted to the Audit Committee for consideration, the Board and the Audit Committee are satisfied that the Group's systems of risk management and internal controls, including financial, operational, compliance, and risk management functions, are adequate and effective.

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

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

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

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

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

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

The Board further considers that (i) there was no material issue relating to the Group's risk management and internal controls, including financial, operational and compliance controls and risk management functions of the Group; and (ii) that there were adequate staff with appropriate and adequate qualifications and experience, resources for accounting, internal audit and financial reporting functions, and adequate training programmes had been provided during the year ended 31 July 2021.

SENIOR MANAGEMENT REMUNERATION

For the year ended 31 July 2021, the remuneration of the senior management is listed below by band:

	Number of individuals
HK$1 to HK$500,000 (Note 1)	5

Details of the Directors' remuneration and five highest paid individuals for the year ended 31 July 2021 as regarded to be disclosed pursuant to the Code are provided in Notes to the Consolidated Financial Statements in this annual report.

Note:

1. These include the remuneration of a senior management who resigned with effect from 30 December 2020 and a senior management who resigned with effect from 20 April 2021.

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

GENERAL MEETINGS WITH SHAREHOLDERS

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

The AGM of the Company will be held on 26 November 2021, the notice of which shall be sent to the shareholders of the Company at least 20 clear business days prior to the meeting.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meeting on Requisition by Shareholders

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

Procedures for Shareholders' Nomination of Directors

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

Procedures for directing shareholders' enquiries to the Board

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

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

Investor Relations

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

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

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

Address: Unit 2918, 29/F.
Shui On Centre
No. 6-8 Harbour Road
Wanchai
Hong Kong

Email: feedback@allnationinternational.com

Significant Changes in Constitutional Documents

During the year ended 31 July 2021, there had been no change in the constitutional documents of the Company.

The Board is pleased to present the annual report together with the audited consolidated financial statements for the year ended 31 July 2021.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

Further discussion and analysis of the activities of the Group during the year ended 31 July 2021, and an indication of likely future developments in the Group's business as required by Schedule 5 to the Companies Ordinance, Chapter 622, can be found in the section headed "Management Discussion and Analysis" of this annual report. Those discussions form part of this directors' report.

PRINCIPAL RISKS

Details of the principal risks of the Group during the year ended 31 July 2021 are set out in Note 35 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 July 2021 are set out in the consolidated statement of profit or loss and other comprehensive income in this annual report.

The Board did not recommend payment of final dividend to shareholders of the Company for the year ended 31 July 2021.

CLOSURE OF REGISTER OF MEMBERS

As the forthcoming AGM of the Company to be held on 26 November 2021 (Friday), the register of members of the Company will be closed from 23 November 2021 (Tuesday) to 26 November 2021 (Friday) (both days inclusive) for the said AGM or any adjournment thereof. All transfer of the Company's shares together with the relevant share certificates must be lodged with the Company's branch share registrar and transfer office no later than 4:30 p.m. on 22 November 2021 (Monday) in order to qualify for the right to attend and vote at the meeting (or any adjournment thereof). The Company's branch share registrar and transfer office is at:

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

FIVE-YEAR FINANCIAL SUMMARY

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements of the property, plant and equipment of the Group during the year ended 31 July 2021 are set out in Note 14 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND COMPLIANCE WITH LAWS AND REGULATIONS

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

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

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

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 July 2021 are set out in Note 30 to the consolidated financial statements.

SHARE CAPITAL AND SHARE PREMIUM

The Company's total issued share capital as at 31 July 2021 was 411,200,000 ordinary shares of HK$0.01 each.

Details of movements of the share capital and the share premium of the Company during the year ended 31 July 2021 are set out in Notes 26 and 28 to the consolidated financial statements respectively.

EMOLUMENT POLICY FOR DIRECTORS

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

RESERVES

Details of movements in the reserves of the Group during the year ended 31 July 2021 are set out in Note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As of 31 July 2021, no reserves of the Company available for distribution, as calculated under the provisions of section 79B of the Companies Ordinance, and in accordance with the Companies Law Cap. 22 of the Cayman Islands, (2020: Nil) inclusive of share premium and accumulated losses.

SHARE OPTION SCHEME

Particulars of the share option scheme (the "**Scheme**") which was adopted on 19 November 2014 are set out in Note 27 to the consolidated financial statements.

No share options were granted since the adoption of the Scheme and there were no share option outstanding as at 31 July 2021.

DIRECTORS

The Directors of the Company during the year ended 31 July 2021 and up to the date of this annual report were:

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
Mr. Yu Hua Chang
Ms. Guo Liying

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

Information regarding Directors' emoluments is set out in Note 10 to the consolidated financial statements.

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

DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has entered into service agreements with the Company for a term of one to two years. All of these service agreements may be terminated earlier by not less than two months written notice served by either party to the other.

Each of the INEDs has entered into a service agreement with the Company for a term of one to two years, which may be terminated earlier by not less than one or two months written notice served by either party on the other.

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

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

Pursuant to Article 108 of the Articles, at each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years. Accordingly, pursuant to article 108 of the Articles, Mr. Lin Ye and Ms. Kwong Ka Ki will retire from office as a Director at the forthcoming AGM, and being eligible each, offer himself/herself for re-election.

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

PERMITTED INDEMNITY

During the year ended 31 July 2021, the Company has arranged Directors' and officers' liability insurance for all Directors and senior management of the Company. The insurance covers the corresponding costs, charges, expenses and liabilities for legal action of corporate activities against them.

DISCLOSURE OF INTERESTS

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

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

Long positions in the Shares

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

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

Note:

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

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

As at 31 July 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%
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%
Pan Guorong	Beneficial owner	30,000,000	7.30%

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.

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

Save as disclosed above, as at 31 July 2021, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Disclosure of Interest" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

MAJOR CUSTOMERS

During the year ended 31 July 2021, the Group's five largest customers accounted for approximately 65.6% (2020: 54.4%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 29.1% (2020: 19.7%) of the total revenue.

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

MAJOR SUPPLIERS

During the year ended 31 July 2021, the Group's five largest suppliers accounted for approximately 45.2% (2020: 40.4%) of the total purchases of the Group and the largest supplier of the Group accounted for approximately 19.7% (2020: 19.2%) of the total purchases.

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

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries, holding company or fellow subsidiaries was a party and in which a Director had a material interests directly or indirectly subsisted at the end of the year ended 31 July 2021 or at any time during the year ended 31 July 2021.

MANAGEMENT CONTRACTS

No management contracts concerning the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 July 2021.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 July 2021 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

MATERIAL ACQUISITIONS, DEREGISTRATIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Details of the Group's material acquisitions, deregistrations and disposals of subsidiaries and affiliated companies for the year ended 31 July 2021, if any, are set out in the section headed "Management Discussion and Analysis" of this annual report.

COMPETITION AND CONFLICT OF INTEREST

Having made specific enquiry of all Directors and substantial Shareholders, during the year ended 31 July 2021, none of the Directors nor their respective close associates (as defined in the GEM Listing Rules) had held any position or had interest in any businesses or companies that were or might be materially competing with the business of the Group, or gave rise to any concern regarding conflict of interests.

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

During the year ended 31 July 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

During the year ended 31 July 2021, save as disclosed in this annual report, the Company had complied with the applicable code provisions of the Code as set out in Appendix 15 to the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares of the Company (the "**Code of Conduct**"). Having made specific enquiries of the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the year ended 31 July 2021.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 19 November 2014. The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 31 July 2021.

SUFFICIENCY OF PUBLIC FLOAT

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 July 2021 were audited by Moore Stephens CPA Limited ("**Moore**"), who will retire in the AGM and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Moore as auditor of the Company will be proposed in the forthcoming AGM.

AUDIT COMMITTEE

The Company has established the Audit Committee on 19 November 2014 with its written terms of reference in compliance with paragraphs C.3.3 and C.3.7 of the Code. The primary duties of the Audit Committee are to review and supervise the Group's financial reporting process, risk management and internal control system of the Group, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance. As at the date of this annual report, the Audit Committee consists of three members, namely Ms. Kwong Ka Ki (Chairperson), Mr. Yu Hua Chang and Ms. Guo Liying.

REVIEW OF ANNUAL REPORT

This annual report for the year ended 31 July 2021 has been reviewed by the Audit Committee, which was of the opinion that the information contained therein had complied with the disclosure requirements of the GEM Listing Rules, and that adequate disclosures had been made.

EVENTS AFTER THE RELEVANT PERIOD

As disclosed in the announcement of the Company dated 6 October 2021 in relation to the performance of Profit Guarantee from the single largest shareholder of the Company, the EBITDA of the Group which based on the audited consolidated results of the Company and its subsidiaries for the year ended 31 July 2021, amounted to approximately HK$88 million, which is more than the profit guarantee for the year ended 31 July 2021 and 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 2021. The cheque placed by Mr. Lin with the Company's solicitors in escrow to secure the Profit Guarantee will be returned to Mr. Lin.

Save as disclosed above, the Directors are not aware of any other significant event requiring disclosure that has taken place subsequent to 31 July 2021 and up to the date of this report.

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

Hong Kong, 30 September 2021

MOORE

Moore Stephens CPA Limited

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30 Canton Road, Tsimshatsui,
Kowloon, Hong Kong

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大華馬施雲
會計師事務所有限公司

Independent Auditor's Report to the Shareholders of
China All Nation International Holdings Group Limited
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China All Nation International Holdings Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 88 to 189, which comprise the consolidated statement of financial position as at 31 July 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 July 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

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

Key audit matter	How our audit addressed the key audit matters
Revenue recognition on contracts for interior design and decoration work	
Refer to the notes 4.11, 5(b), and 6 to the consolidated financial statements	
The Group recorded revenue from contracts for interior design and decoration work amounting to approximately HK$57,423,000 for the year ended 31 July 2021. The Group recognises revenue from these contracts by reference to the progress towards complete satisfaction of the relevant performance obligation using input method, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The recognition of revenue and contract costs relies on the management's estimation of the progress and outcome of the projects, which is on the basis of contracts or other correspondence from time to time provided by customers, major contractors or suppliers involved and the experience of the management. As to keep the budget accurate and up to date, the management conducts periodic reviews of the budgets of contracts and assesses the progress and profitability of on-going contracts. We identified the revenue recognition on contracts for design interior and decoration work as a key audit matter due to the significant judgement required to be exercised by the management and the high estimation uncertainty in determining the total contract revenue, budgeted costs and progress of the related contract works.	Our procedures in relation to revenue recognition on contracts for interior design and decoration work mainly included: • Obtaining an understanding, evaluating and testing the management's key internal controls that are present for the Group's budgeting process and cost accumulation process for contract works; • Inspecting, on a sampling basis, the signed contracts, variation orders and payment certificates and other correspondence with the customers to assess the reasonableness of the management's estimate on total contract sum; • Discussing with the project managers the status of the projects, to identify any variation, claims or disputes for selected projects, on a sampling basis, and obtaining explanations for fluctuation in margins. Obtaining the corroborative evidence by inspecting minutes of management's regular internal meetings and correspondences with customers, as appropriate; • Obtaining detailed breakdown of the estimated total contract costs and evaluating, on a sampling basis, the accuracy of contract costs recognised to date by checking to contracts, certifications or correspondence with subcontractors, suppliers' invoices and delivery notes for material consumed, payroll records on staff costs or other supporting documents and the progress of respective projects;

KEY AUDIT MATTER – *continued*

Key audit matter	How our audit addressed the key audit matters

Revenue recognition on contracts for interior design and decoration work – continued

Refer to the notes 4.11, 5(b), and 6 to the consolidated financial statements – *continued*

Our procedures in relation to revenue recognition on contracts for interior design and decoration work mainly included – *continued*:

- Performing a retrospective review for contracts completed during the current year by comparing the actual outcome against the management's estimation of completed contract works, on a sampling basis, to assess the reliability of the approved budgets;

- Evaluating the reasonableness of percentage of the completion of contract works in progress by comparing the percentage calculated based on the costs incurred at the end of reporting period against that percentage calculated based on external surveyors' certification, on a sampling basis, and investigate any significant differences identified by discussing with project managers or conducting site visits to observe the on-site progress to date, if applicable;

- Recalculating the estimate of the progress of contract works based on the latest budgeted costs and total actual costs incurred; and

- Checking the mathematical accuracy of the calculation of contract revenue based on the estimate of the progress of contract works.

KEY AUDIT MATTER – *continued*

Key audit matter	How our audit addressed the key audit matters
Impairment assessment of trade receivables, contract assets and finance lease receivables	
Refer to the notes 4.8, 5(c), 17, 19 and 35(ii) to the consolidated financial statements	
As at 31 July 2021, the Group had trade receivables, contract assets and finance lease receivables with gross carrying amounts of approximately HK$15,732,000, HK$8,694,000 and HK$110,589,000 respectively. The Group had reversed expected credit loss ("**ECL**") on trade receivables, contract assets and finance lease receivables with aggregate amount of approximately HK$164,000 in consolidated profit or loss during the year ended 31 July 2021. The management of the Company performs periodic assessment on the recoverability of the trade receivables, contract assets and finance lease receivables and the sufficiency of the allowance for ECL. In estimating the allowance for ECL, the management makes individual assessment for certain debtors with significant balances and/or collectively through groupings of various debtors that have similar loss patterns, after considering various factors such as the creditworthiness of respective customers, ageing analysis, historical settlement records, and on-going business relationship with the relevant customers as well as the forecast of future macro-economic conditions that may impact the customers' abilities to repay the outstanding balances. We identified such impairment assessment as a key audit matter due to the significant judgement required to be exercised by the management and the high estimation uncertainty in assessing the recoverability of the customers.	Our procedures in relation to impairment assessment of trade receivables, contract assets and finance lease receivables mainly included: • Obtaining an understanding, evaluating and testing the management's key internal control and procedures for managing, monitoring the billing and collection process and assessing the recoverability of trade receivables, contract assets and finance lease receivables; • Assessing the appropriateness of the provisioning methodology and challenging the management's basis and judgement in determining ECL on trade receivables, contract assets and finance lease receivables as at 31 July 2021, including the reasonableness of grouping of receivables, the basis of estimation of loss rates and forward-looking information, especially the market data with particular focus on the impact of the pandemic; • Discussing with the management about their evaluation of the background, financial capability of the debtors, evaluation of the impact of disputes with customers, any unforeseen delay of the contract works and any significant changes in credit quality of the debtors, and their credit assessment that the outstanding amounts were recoverable;

KEY AUDIT MATTER – *continued*

Key audit matter	How our audit addressed the key audit matters
Impairment assessment of trade receivables, contract assets and finance lease receivables – continued	
Refer to the notes 4.8, 5(c), 17, 19 and 35(ii) to the consolidated financial statements – *continued*	
	Our procedures in relation to impairment assessment of trade receivables, contract assets and finance lease receivables mainly included – *continued*: • Inquiring the management for (i) the status of each of the material receivables past due as at the year end and (ii) the billing status of each of material contract assets, and corroborated explanations from the management with supporting evidence; • Testing the integrity of information used to develop ECL methodologies, including ageing analysis of receivables, on a sampling basis, to the underlying financial records and post year end settlements; • Testing the accuracy and completeness of other key data used by the management to determine the ECL, on a sampling basis; and • Evaluating the adequacy and appropriateness of disclosures regarding the impairment assessment of trade receivables, contract assets and finance lease receivables in the consolidated financial statements.

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

The directors of the Company are responsible for the other information. The other information comprises all the information in the Group's 2021 annual report other than the consolidated financial statements and our auditors' report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The audit committee of the Company assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

Moore Stephens CPA Limited
Certified Public Accountants

Hung, Wan Fong Joanne
Practising Certificate Number: P05419

Hong Kong, 30 September 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 July 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	6	**166,860**	188,422
Cost of services		**(115,519)**	(129,927)
Gross profit		**51,341**	58,495
Other income and gains	7	**8,577**	4,206
Administrative and other operating expenses		**(18,018)**	(20,624)
Reversal of/(provision for) impairment losses on trade receivables, contract assets and finance lease receivables, net	35(ii)	**164**	(50)
Finance costs	8	**(17,344)**	(21,075)
Profit before income tax	9	**24,720**	20,952
Income tax expense	11	**(7,675)**	(9,189)
Profit for the year		**17,045**	11,763
Other comprehensive income/(expenses) for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**6,607**	(731)
Total comprehensive income for the year, net of income tax		**23,652**	11,032
Profit/(loss) for the year attributable to:			
Owners of the Company		**17,050**	11,650
Non-controlling interests	30	**(5)**	113
		17,045	11,763
Total comprehensive income/(expenses) for the year attributable to:			
Owners of the Company		**23,657**	10,919
Non-controlling interests	30	**(5)**	113
		23,652	11,032
Earnings per share attributable to the owners of the Company			
– Basic and diluted (HK cents)	12	**4.15**	2.83

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	14	776	1,314
Investment properties	15	58,306	95,937
Right-of-use assets	16	249	1,155
Finance lease receivables	17	58,628	52,864
Goodwill	18	230	230
Deposits paid	20	12,422	21,935
		130,611	173,435
Current assets			
Trade receivables	19	15,626	21,661
Contract assets	19	8,685	22,651
Finance lease receivables	17	51,878	45,342
Prepayments, deposits paid and other receivables	20	24,957	15,742
Restricted cash	21	–	1,635
Cash and cash equivalents	21	112,830	82,696
		213,976	189,727
Current liabilities			
Trade and other payables, deposits received and accruals	22	38,798	43,574
Contract liabilities	22	–	430
Loan from a shareholder	25	14,600	–
Lease liabilities	23	68,630	72,179
Tax payable		4,278	4,844
		126,306	121,027
Net current assets		87,670	68,700
Total assets less current liabilities		218,281	242,135
Non-current liabilities			
Deposits received	22	10,924	18,683
Deferred tax liabilities	24	2,123	2,264
Loan from a shareholder	25	–	13,123
Lease liabilities	23	82,944	110,182
		95,991	144,252
Net assets		122,290	97,883

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2021

	Notes	2021 HK$'000	2020 HK$'000
Equity			
Share capital	26	**4,112**	4,112
Reserves	28	**118,178**	94,521
Equity attributable to owners of the Company		**122,290**	98,633
Non-controlling interests	30	**–**	(750)
Total equity		**122,290**	97,883

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 88 and 189 were approved and authorised for issue by the Board of Directors on 30 September 2021 and are signed on its behalf by:

Mr. Lin Ye
Director

Mr. Au Siu Chung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2021

	Attributable to owners of the Company					
	Share capital HK$'000 (Note 26)	Share premium HK$'000 (Note 28)	Other reserves HK$'000 (Note 28)	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 August 2019	4,112	24,394	52,643	81,149	(863)	80,286
Profit for the year	–	–	11,650	11,650	113	11,763
Other comprehensive expenses for the year						
Exchange differences on translation of financial statements of foreign operations	–	–	(731)	(731)	–	(731)
Total comprehensive income for the year	–	–	10,919	10,919	113	11,032
Deemed capital contribution arising from non-current interest-free shareholder's loan (Note 25)	–	–	6,565	6,565	–	6,565
As at 31 July 2020 and 1 August 2020	4,112	24,394	70,127	98,633	(750)	97,883
Profit/(loss) for the year	–	–	17,050	17,050	(5)	17,045
Other comprehensive income for the year						
Exchange differences on translation of financial statements of foreign operations	–	–	6,607	6,607	–	6,607
Total comprehensive income/(expenses) for the year	–	–	23,657	23,657	(5)	23,652
Disposal of a subsidiary (Note 31(a))	–	–	–	–	755	755
As at 31 July 2021	4,112	24,394	93,784	122,290	–	122,290

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 July 2021

	Notes	2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Net cash generated from operations	29(a)	130,996	89,290
Income tax paid		(8,649)	(6,571)
Interest received		1,328	514
Net cash generated from operating activities		123,675	83,233
Cash flows from investing activities			
Net cash inflow/(outflow) on disposal of subsidiaries	31	505	(7)
Purchases of property, plant and equipment	14	(160)	(103)
Proceeds from disposal of property, plant and equipment	14	–	180
Net cash generated from investing activities		345	70
Cash flows from financing activities			
Release of restricted cash	21	–	15,000
Repayment to a related party		–	(1,000)
Payment of principal portion of lease liabilities	29(b)	(80,885)	(63,236)
Payment of interest portion of lease liabilities	29(b)	(15,867)	(16,387)
Net cash used in financing activities		(96,752)	(65,623)
Net increase in cash and cash equivalents		27,268	17,680
Cash and cash equivalents at beginning of the year		82,696	65,518
Effect of foreign exchange rate changes		2,866	(502)
Cash and cash equivalents at end of the year	21	112,830	82,696

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. GENERAL INFORMATION

China All Nation International Holdings Group Limited (the "**Company**") was incorporated and registered as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company's issued shares are listed on 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. The principal activities of the Company's subsidiaries are set out in Note 30.

These consolidated financial statements were approved and authorised for issue by the board of directors on 30 September 2021.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 July 2021 comprise the Company and its subsidiaries (collectively referred to as the "**Group**").

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

2. BASIS OF PREPARATION – *continued*

2.2 Basis of preparation of the consolidated financial statements – *continued*

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

3. ADOPTION OF NEW OR AMENDMENTS TO HKFRSs

Adoption of amendments to HKFRSs

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

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

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

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

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

During the current year, certain lessors agreed to waive or reduce lease payments on several leases. The Group has derecognised the part of lease liabilities that have been extinguished using the discounts rates originally applied to these leases respectively, resulted in decrease in lease liabilities of approximately HK$3,141,000, which have been accounted for as variable lease payment and recognised as "Other income and gains" (Note 7) in profit or loss during the current year.

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

New or amendments to HKFRSs not yet effective

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

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

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

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

* On 6 January 2016, the HKICPA issued "Effective Date of Amendments to HKFRS 10 and HKAS 28" following the International Accounting Standard Board's equivalent amendments. This update defers/removes the effective date of the amendments in "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" that the HKICPA issued on 7 October 2014. Early adoption of these amendments continues to be permitted.

\# As a consequence of the amendments to HKAS1, Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" was revised in October 2020 to align the corresponding wording with no change in conclusion.

\## As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemptions that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of theses consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

4.1 Basis of consolidation

These consolidated financial statements include the financial statements of the Company and the entities controlled by the Company (its subsidiaries).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.1 Basis of consolidation – *continued*

Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. Control is achieved when the Company has power over the investee, that expose or give rights to variable returns from its involvement with the investee, and the Company is able to use its power to affect the amount of returns from the investee. Generally, control is achieved with a shareholding of more than one half of the voting rights over the relevant activities of the investee. The existence and effect of potential voting rights that are exercisable or convertible are considered when assessing whether the Company controls another entity.

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

Consolidation

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.1 Basis of consolidation – *continued*

Business combination not under common control

Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. If the concentration test is not met, or if the Group elects not to apply the test, the Group shall then perform the assessment to determine if the inputs and substantive process that together significantly contribute to the ability to create output are present, and to determine whether the set of activities and assets is a business.

The Group applies the acquisition method to account for business combination not under common control. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.1 Basis of consolidation – *continued*

Business combination not under common control – continued

Optional concentration test – *continued*

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

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

Non-controlling interests

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

For each business combination, the Group elects whether to measure non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at fair value or at the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the equity holders of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.1 Basis of consolidation – *continued*

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

Separate financial statements

In the Company's statement of financial position, interests in subsidiaries (included in Note 30) are stated at cost less impairment loss, if any. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

4.2 Goodwill

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.2 Goodwill – *continued*

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

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

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

4.3 Property, plant and equipment and depreciation

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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

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

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

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

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

Estimated residual values, estimated useful lives and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.4 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, which include leased properties that are being recognised as right-of-use assets and sub-leased by the Group under operating leases.

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

If an investment property becomes a right-of-use asset because its use has been changed as evidenced by the commencement of owner-occupation, the right-of-use asset's deemed cost for subsequent accounting shall be the carrying amount of investment property at the date of change in use.

A change in use has occurred is based on an assessment of all relevant facts and circumstances. The relevant facts include but not limited to the Group's business plan, financial resources and legal requirements. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use.

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

4.5 Impairment of non-financial assets

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.5 Impairment of non-financial assets – *continued*

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

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

4.6 Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(A) As a lessee

Allocation of consideration to components of a contract

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

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.6 Leases – *continued*

(A) As a lessee – continued

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- where applicable, an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, discounted to their present value under HKAS 37 "Provisions, contingent liabilities and contingent assets".

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses (see Note 16), and adjusted for any remeasurement of lease liabilities, other than adjustments to lease liabilities resulting from COVID-19-Related rent concessions in which the Group applied the practical expedient.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.6 Leases – *continued*

(A) As a lessee – continued

Right-of-use assets – *continued*

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

Lease liabilities

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

The lease payments include:

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

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and right-of-use assets, and are recognised as expense in the accounting period in which the event or condition that triggers the payment occurs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.6 Leases – *continued*

(A) As a lessee – continued

Lease liabilities – *continued*

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments. The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes expected payment under a guaranteed residual value in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

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

Lease modifications

Except for COVID-19-Related rent concession in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.6 Leases – *continued*

(A) As a lessee – continued

Lease modifications – *continued*

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

COVID-19-Related rent concessions

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

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

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

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

The 2021 Amendment extends the availability of the practical expedient set out in paragraph 46A of HKFRS 16 to rent concessions on or before 30 June 2022.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.6 Leases – *continued*

(B) As a lessor

Classification and measurement of leases

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

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

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

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

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

Allocation of consideration to components of a contract

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.6 Leases – *continued*

(B) As a lessor – continued

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

Changes in consideration of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

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

4.7 Financial instruments

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

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

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.7 Financial instruments – *continued*

Financial assets – continued

Classification and measurement of financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("**FVOCI**") and FVPL.

The Group assesses the classification and measurement of a financial asset based on the contractual cash flows characteristics of the asset and the Group's business model for managing the asset.

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

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

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

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

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

Financial assets are classified as FVPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of business combination to which HKFRS applies; (ii) held for trading; or (iii) it is designated at FVPL.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.7 Financial instruments – *continued*

Financial assets – continued

Classification and measurement of financial assets – *continued*

A financial asset is classified as held for trading if:

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

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

(i) Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to the expected credit loss ("**ECL**") assessment.

Effective interest method

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.7 Financial instruments – *continued*

Financial assets – continued

Classification and measurement of financial assets – *continued*

(i) Financial assets at amortised cost – *continued*

Effective interest method – *continued*

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost.

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

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Accounting policy of impairment of financial assets measured at amortised cost is stated in Note 4.8.

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

(ii) Financial assets at FVPL

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.7 Financial instruments – *continued*

Financial assets – continued

Derecognition of financial assets

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

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

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

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

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.7 Financial instruments – *continued*

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group or a contract that will or may be settled in the Group's own equity instruments and is a non-derivative contract for which the Group is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments.

The Group classifies its financial liabilities at initial recognition, as financial liabilities at FVPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

Financial liabilities subsequently measured at amortised cost

The Group's financial liabilities include trade and other payables, deposits received, lease liabilities and loan from a shareholder are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost.

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.7 Financial instruments – *continued*

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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

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

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

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

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

The Group recognises lifetime ECL for finance lease receivable that results from transactions that are within the scope of HKFRS 16 since 1 August 2020. To measure the ECL, finance lease receivables have been grouped based on shared credit risk characteristics or are assessed individually for credit-impaired balances.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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

(i) Significant increase in credit risk

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

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

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

– significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor; or

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

– significant financial difficulty of the issuer or the borrower;

– a breach of contract, such as a default or past due event;

– the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

– it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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

(iv) Write-off policy

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

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

(v) Measurement and recognition of ECL

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

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

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

– Nature of financial instruments (i.e. the Group's trade receivables, contract assets, and finance lease receivables are each assessed as a separate group. Deposits paid and other receivables, restricted cash and cash and cash equivalent are assessed for ECL on an individual basis);

– Past-due status;

– Nature, size and industry of debtors; and

– External credit ratings where available.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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

(v) Measurement and recognition of ECL – continued

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

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

4.9 Cash and cash equivalents and restricted cash

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

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

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

4.10 Income tax

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.10 Income tax – *continued*

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

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.10 Income tax – *continued*

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets, investment properties, finance lease receivables and lease liabilities are assessed on a net basis.

Excess of depreciation on right-of-use assets and investment properties, finance income on finance lease receivables and net income from sub-leasing right-of-use assets over the lease payments for the principal and interest portion of lease liabilities resulting in net deductible temporary differences.

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

4.11 Revenue recognition

Revenue from contracts with customers

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.11 Revenue recognition – *continued*

Revenue from contracts with customers – continued

If a contract involves multiple services, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

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

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

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

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

Contracting

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

Interior design and decoration work

Revenue from the provision of interior design and decoration work is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance obligation completed to date. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the interior design and decoration work services.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.11 Revenue recognition – *continued*

Revenue from contracts with customers – continued

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

<u>Property management fee income and value-adding services</u>

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

Point in time revenue recognition:

<u>Commodity trading</u>

Principal versus agent

The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Group is acting as the principal or an agent in the transactions which follows the accounting guidance for principal-agent considerations in HKFRS 15.

When determining whether the Group is acting as the principal or agent in providing goods or services to the customer, the Group needs to first identify who controls the specified goods or services before they are transferred to the customer.

The Group acts as an agent and is primarily responsible for arranging the goods and services provided by the suppliers. The Group recognises the service fee income, which is calculated by certain percentage or amount of the total income received or receivables by the customers.

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

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

Gross rental income

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.11 Revenue recognition – *continued*

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

Finance income on finance lease receivables

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

Income from sub-leasing right-of-use assets

Accounting policy of income from sub-leasing right-of-use assets is stated in the section headed "The Group as an intermediate lessor" in Note 4.6.

Interest income

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

4.12 Foreign currency translation

The consolidated financial statements are presented in HK$, which is also the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Exchange differences arising on the settlement of monetary items and from the translation at year-end exchange rates of monetary items denominated in foreign currencies are recognised in consolidated profit or loss in the period in which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.12 Foreign currency translation – *continued*

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

4.13 Employee benefits

(a) Contributions to defined contribution retirement plans

The Group participates in defined contribution retirement benefit schemes for those employees who are eligible to participate. Contributions are charged to profit or loss as they are paid/become payable in accordance with the rules of the scheme.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The MPF scheme is a defined contributes to defined contribution retirement schemes which was available to all employees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' monthly relevant income, subject to a cap of HK$30,000. The retirement benefit scheme cost charged to profit or loss represents contributions payable to the Group to the funds.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.13 Employee benefits – *continued*

(a) Contributions to defined contribution retirement plans – continued

The employees of the subsidiary within the Group which operate in the PRC are required to participate in the central pension scheme operated by the local municipal government. This PRC subsidiary is required to contribute a percentage of their payroll costs to the central pension scheme ("**Central Pension Scheme**") as specified by the local municipal government. The contributions are charged to the consolidated income statement as they become payable in accordance with the rules of the central pension scheme. The applicable percentages for the Central Pension Scheme are listed as below:

	Percentage
Pension insurance	13.00%—15.00%
Medical insurance	0.45%—6.20%
Maternity insurance	0.45%—0.85%
Unemployment insurance	0.32%—0.80%
Work-related injury insurance	0.14%—1.40%
Housing provident fund	5.00%—12.00%

The Group has no legal or construction obligations to pay further contributions after payment of the fixed contributions. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(b) Termination benefits

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.13 Employee benefits – *continued*

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(d) Bonus plans

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

4.14 Government grants

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

Government grants are deferred and recognised in profit or loss over the period necessary to match with the costs that the grants are intended to compensate.

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

4.15 Share capital

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.16 Provisions and contingent liabilities

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

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

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

4.17 Dividend distribution

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

4.18 Borrowing costs

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.19 Related parties

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

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

(a) Revenue recognition on contracts for contracting works

As detailed in Notes 4.11 and 6, the Group recognised revenue on contracts for contracting works by reference to the progress towards complete satisfaction of the relevant performance obligation using output method, measured based on the direct measurement of the value to the customers of goods or services transferred to date relative to the remaining goods or services promised to be completed under the contract.

The management estimates the revenue by assessing the progress of contracting works. The management's estimate of revenue and the completion status of contracting works requires significant judgement and has a significant impact on the amount and timing of revenue recognised. The Group periodically measures the value of the contracting works transferred to-date and issues the internal contracting progress report. The contracting works performed by the Group would be also certified by the external surveyors appointed by the customers periodically according to the contracts.

The Group reviews and revises the estimates of contract revenue, contract costs and variation orders prepared for each contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue. Subject to the adjustments in final accounts, the actual outcomes in terms of the revenue/claims and contract assets may be higher or lower than the amounts estimated at the end of the reporting period, which would affect the revenue and profit recognised.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – *continued*

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

As detailed in Notes 4.11 and 6, the Group recognised revenue on contracts for interior design and decoration work by reference to the progress towards complete satisfaction of the relevant performance obligation using input method, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs.

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

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

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

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

The provision of ECL is sensitive to changes in estimates. The information about the Group's assessment of ECL are disclosed in Note 35(ii).

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – *continued*

(d) Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the leases, and therefore, it uses an IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). The information about the incremental borrowing rate is disclosed in Note 23.

(e) Principal and agent consideration in revenue recognition

The Group provides commodity trading services to its customers using different suppliers, which involves the principal versus agent assessment. The Group follows the accounting guidance for principal-agent considerations to assess whether the Group controls the specified goods or services before it is transferred to the customer, the indicators of which including but not limited to: (a) whether the entity is primarily responsible for fulfilling the promise to provide the specified goods or services; (b) whether the entity has inventory risk before the specified goods or services has been transferred to a customer; (c) whether the entity has discretion in establishing the prices for the specified goods or services; and (d) whether the entity has discretion in selecting suppliers. The management considers the above factors in totality, as none of the factors individually are considered presumptive or determinative, and applies judgment when assessing the indicators depending on different circumstances.

6. REVENUE AND SEGMENT INFORMATION

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

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

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

6. REVENUE AND SEGMENT INFORMATION – *continued*

Segment reporting

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

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

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

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

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

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

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

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

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

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

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

6. REVENUE AND SEGMENT INFORMATION – *continued*

Segment reporting – *continued*

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

	Contracting HK$'000	Interior design and decoration work HK$'000	Property sub-leasing and management service HK$'000	Commodity trading HK$'000	Total HK$'000
Year ended 31 July 2021					
Revenue from external customers and disaggregated by timing of revenue recognition					
Over time	8,200	57,423	96,376	–	161,999
Point in time	–	–	–	4,861	4,861
	8,200	57,423	96,376	4,861	166,860
Reportable segment profit	787	10,195	18,615	3,974	33,571
Unallocated corporate income					2,175
Unallocated corporate expenses					(11,026)
Profit before income tax					24,720
Income tax expense					(7,675)
Profit for the year					17,045
Included in segment results are:					
Unwinding of imputed interest on shareholder's loan (Note 25)	–	–	(1,477)	–	(1,477)
Depreciation of investment properties	–	–	(43,824)	–	(43,824)
Depreciation of property, plant and equipment	–	(2)	(750)	(1)	(753)
Reversal of impairment loss on trade receivables, contract assets and finance lease receivables, net	7	72	85	–	164
At 31 July 2021					
Segment assets	2,849	19,124	200,617	86	222,676
Cash and cash equivalents					112,830
Unallocated assets					9,081
Consolidated total assets					344,587
Included in segment assets are:					
Additions to non-current assets	–	–	1,386	13	1,399
Segment liabilities	–	16,267	197,139	1,134	214,540
Tax payable					4,278
Deferred tax liabilities					2,123
Unallocated liabilities					1,356
Consolidated total liabilities					222,297

6. REVENUE AND SEGMENT INFORMATION – *continued*

Segment reporting – *continued*

	Contracting HK$'000	Interior design and decoration work HK$'000	Property sub-leasing and management service HK$'000	Total HK$'000
Year ended 31 July 2020				
Revenue from external customers and disaggregated by timing of revenue recognition				
Over time	10,483	92,770	85,169	188,422
Reportable segment profit	539	18,389	20,202	39,130
Loss on modification of shareholder's loan (Note 25)				(2,844)
Unwinding of imputed interest on shareholder's loan (Note 25)				(1,390)
Unallocated corporate income				924
Unallocated corporate expenses				(14,868)
Profit before income tax				20,952
Income tax expense				(9,189)
Profit for the year				11,763
Included in segment results are:				
Unwinding of imputed interest on shareholder's loan (Note 25)	–	–	(454)	(454)
Depreciation of investment properties	–	–	(37,635)	(37,635)
Depreciation of property, plant and equipment	(27)	(130)	(1,195)	(1,352)
Reversal of/(Provision for) impairment losses on trade receivables, contract assets and finance lease receivables, net	(86)	152	(116)	(50)
At 31 July 2020				
Segment assets	12,368	37,310	224,937	274,615
Restricted cash				1,635
Cash and cash equivalents				82,696
Unallocated assets				4,216
Consolidated total assets				363,162
Included in segment assets are:				
Additions to non-current assets	–	–	28,930	28,930
Segment liabilities	4,680	22,362	226,784	253,826
Tax payable				4,844
Deferred tax liabilities				2,264
Unallocated liabilities				4,345
Consolidated total liabilities				265,279

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

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

6. REVENUE AND SEGMENT INFORMATION – *continued*

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, investment properties, right-of-use assets, finance lease receivables, goodwill, intangible assets and deposits paid ("**specified non-current assets**"). The geographical location of revenue from customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset.

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

Information about major customers

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

	2021	2020
	HK$'000	HK$'000
Customer A[1]	**48,503**	37,171
Customer B[2]	**N/A[3]**	20,660
Customer C[1]	**21,452**	N/A[4]

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

2 Revenue from interior design and decoration work services.

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

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

7. OTHER INCOME AND GAINS

	2021 HK$'000	2020 HK$'000
Bank interest income	1,328	514
Gain on disposal of a subsidiary (Note 31(a))	1,296	–
Gain on derecognition upon termination of leases of investment properties and lease liabilities, net	408	268
Gain on lease modification	839	–
Rent concessions (Note (a))	3,141	1,594
Government grant (Note (b))	432	–
Tax relief on value-added tax ("**VAT**") (Note (c))	1,057	828
Others	76	137
Gain on disposal of property, plant and equipment	–	98
Management fee income (Note 33(a))	–	660
Net foreign exchange gains	–	107
	8,577	4,206

Notes:

(a) The amount represents concession rental from the landlords in relation to the compensation of lockdown of the PRC cities due to COVID-19 pandemic for the years ended 31 July 2021 (2020: Same). The concession does not constitute to the lease modification by applying practical expedient that meets the conditions in paragraph 46B of HKFRS 16 as disclosed in Note 4.6.

(b) The government grants recognised for the year ended 31 July 2021 were the approved subsidies from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme as promulgated by the Government of the Hong Kong Special Administrative Region of the PRC. As at 31 July 2021, there are no unfulfilled conditions or other contingencies attached to these grants (2020: Nil).

(c) Following the announcements issued by China's State Council concerning the VAT, the PRC government has announced that for the period from 1 April 2019 to 31 December 2021, the taxpayers in specified industries are eligible for a 10% "Super deduction" by increasing their input VAT credits by 10%. Such changes were applied to several sectors including leasing industry, and the Group has an unconditional right to the above deduction when the application is approved by the relevant authorities.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 HK$'000	2020 HK$'000
Interest on lease liabilities (Note 29(b))	15,867	16,387
Loss on modification of shareholder's loan (Note 25)	–	2,844
Unwinding of imputed interest on loan from a shareholder (Note 25)	1,477	1,844
	17,344	21,075

9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2021 HK$'000	2020 HK$'000
Auditors' remuneration		
– Audit services	860	1,190
– Non-audit services (Note)	516	258
	1,376	1,448
Depreciation of property, plant and equipment* (Note 14)	789	1,455
Depreciation of investment properties (Note 15)	43,824	37,635
Depreciation of right-of-use assets (Note 16)	880	854
Direct operating expenses (including repairs and maintenance, depreciation of investment properties and depreciation of leasehold improvements) arising on property subleasing business	57,687	47,053
Sub-contracting costs recognised as an expense	50,710	74,864
Loss on derecognition upon termination of leases of finance lease receivables and lease liabilities, net	4,324	1,383
Expenses relating to short-term leases# (Note 16)	5,771	3,088
Employee benefits expense (including directors' emoluments (Note 10))**:		
– Salaries and allowances	9,072	11,078
– Retirement benefit scheme contributions (defined contribution scheme)	530	473
Other expenses##	419	2,493
Write-off of property, plant and equipment (Note 14)	–	272

9. PROFIT BEFORE INCOME TAX – *continued*

* Depreciation of property, plant and equipment of approximately HK$744,000 (2020: approximately HK$1,175,000) and approximately HK$45,000 (2020: approximately HK$280,000) has been included in cost of services and administrative and other operating expenses respectively.

** Employee benefit expense (including directors' emolument) of approximately HK$721,000 (2020: approximately HK$2,148,000) and approximately HK$8,881,000 (2020: approximately HK$9,403,000) has been included in cost of services and administrative and other operating expenses respectively.

\# Expenses relating to short-term leases of approximately HK$5,750,000 (2020: approximately HK$2,232,000) and approximately HK$21,000 (2020: approximately HK$856,000) has been included in cost of services and administrative and other expenses respectively.

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

Note:

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

10. DIRECTORS' EMOLUMENTS

(a) Directors' and chief executive's emoluments

The remuneration of each director for the year ended 31 July 2021 is set out below:

	Fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Employer's contribution to a retirement scheme HK$'000	Total HK$'000
Year ended 31 July 2021				
Executive directors				
Mr. Lin Ye ("**Mr. Lin**")	–	650	18	668
Mr. Au Siu Chung	–	655	18	673
Mr. Yuan Shuang Shun (Note (ii))	–	357	10	367
Ms. Xiao Yi Liao Ge	–	582	18	600
Independent non-executive directors				
Ms. Kwong Ka Ki	200	–	–	200
Mr. Yu Hua Chang	120	–	–	120
Ms. Guo Liying	120	–	–	120
	440	2,244	64	2,748

10. DIRECTORS' EMOLUMENTS – *continued*

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

The remuneration of each director for the year ended 31 July 2020 is set out below:

	Fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Employer's contribution to a retirement scheme HK$'000	Total HK$'000
Year ended 31 July 2020				
Executive directors				
Mr. Lin	–	600	18	618
Mr. Au Siu Chung	–	600	18	618
Mr. Long Jie (Note (i))	–	450	14	464
Mr. Yuan Shuang Shun (Note (ii))	–	582	18	600
Ms. Xiao Yi Liao Ge	–	582	18	600
Independent non-executive directors				
Ms. Kwong Ka Ki	200	–	–	200
Mr. Yu Hua Chang	120	–	–	120
Ms. Guo Liying	120	–	–	120
	440	2,814	86	3,340

Notes:

(i) Resigned on 1 May 2020

(ii) Resigned on 10 February 2021

During the year ended 31 July 2021, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2020: Nil). Neither the chief executive nor any of the directors has waived or agreed to waive any emoluments during the year ended 31 July 2021 (2020: Nil).

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

10. DIRECTORS' EMOLUMENTS – *continued*

(b) Five highest paid individuals

The five individuals whose emoluments were highest in the Group include four (2020: four) directors whose emoluments are disclosed above. The emoluments payable to the remaining one (2020: one) individual during the year are as follows:

	2021	2020
	HK$'000	HK$'000
Short-term benefits:		
Salaries, allowances and benefits in kind	**592**	636
Post-employment benefits:		
Retirement benefit scheme contributions	**17**	21
	609	657

The emoluments fell within the following band:

	Number of individuals	
	2021	2020
Emolument band		
Nil – HK$1,000,000	**1**	1

During the year ended 31 July 2021, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group (2020: Nil).

11. INCOME TAX EXPENSE

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

No Hong Kong Profits Tax has been provided for the year in the consolidated financial statements as the Group has tax losses brought forward from previous years (2020: Same).

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

11. INCOME TAX EXPENSE – *continued*

	2021 HK$'000	2020 HK$'000
Current tax – PRC EIT		
Charge for the year	**8,619**	9,509
Over-provision in respect of prior years	**(612)**	–
Deferred tax (Note 24)	**(332)**	(320)
Income tax expense	**7,675**	9,189

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

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

Deferred tax assets are recognised for tax loss carry-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of approximately HK$6,269,000 (2020: approximately HK$5,364,000) in respect of losses amounting to approximately HK$37,996,000 (2020: approximately HK$32,511,000) due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely. Certain amounts of unused tax losses are subject to approval from the Hong Kong Inland Revenue Department.

11. INCOME TAX EXPENSE – *continued*

Other than as disclosed in Note 24, the Group did have deferred tax assets and liabilities in the consolidated financial statements as the Group did not have other material temporary differences arising between tax bases of assets and liabilities and their carrying amounts as at 31 July 2021 (2020: Same).

12. EARNINGS PER SHARE

	2021 HK$'000	2020 HK$'000
Profit attributable to owners of the Company	17,050	11,650

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

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

13. DIVIDENDS

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

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

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost				
At 1 August 2019	4,046	2,737	361	7,144
Additions	–	103	–	103
Disposal	–	–	(361)	(361)
Disposal of a subsidiary	(752)	–	–	(752)
Written-off	(770)	(796)	–	(1,566)
Exchange realignment	(64)	(24)	–	(88)
At 31 July 2020 and 1 August 2020	2,460	2,020	–	4,480
Additions	147	13	–	160
Exchange realignment	201	86	–	287
At 31 July 2021	**2,808**	**2,119**	**–**	**4,927**
Accumulated depreciation				
At 1 August 2019	2,357	1,471	229	4,057
Charge for the year (Note 9)	976	429	50	1,455
Disposal	–	–	(279)	(279)
Disposal of a subsidiary	(752)	–	–	(752)
Written-off	(770)	(524)	–	(1,294)
Exchange realignment	(17)	(4)	–	(21)
At 31 July 2020 and 1 August 2020	1,794	1,372	–	3,166
Charge for the year (Note 9)	503	286	–	789
Exchange realignment	150	46	–	196
At 31 July 2021	**2,447**	**1,704**	**–**	**4,151**
Net carrying amount				
At 31 July 2020	666	648	–	1,314
Net carrying amount				
At 31 July 2021	**361**	**415**	**–**	**776**

15. INVESTMENT PROPERTIES

	Leased properties under operating lease HK$'000
Cost	
At 1 August 2019	116,458
Additions	28,916
Derecognised upon termination of leases	(9,022)
Exchanged alignment	(3,157)
At 31 July 2020 and 1 August 2020	133,195
Additions	1,239
Derecognised upon termination of leases	(5,117)
Derecognised upon transfer to finance lease receivables	(666)
Exchanged alignment	11,528
At 31 July 2021	140,179
Accumulated depreciation	
At 1 August 2019	–
Charge for the year (Note 9)	37,635
Derecognised upon termination of leases	(412)
Exchanged alignment	35
At 31 July 2020 and 1 August 2020	37,258
Charge for the year (Note 9)	43,824
Derecognised upon termination of leases	(3,133)
Derecognised upon transfer to finance lease receivables	(216)
Exchanged alignment	4,140
At 31 July 2021	81,873
Net carry amount	
At 31 July 2020	95,937
At 31 July 2021	**58,306**
Fair value at Level 3 hierarchy	
At 31 July 2020	120,941
At 31 July 2021	**78,010**

At 31 July 2021, an independent qualified professional valuer not connected to the Group which has appropriate professional qualifications and recent experience in the valuations of similar properties in the relevant locations, assessed the fair values of the investment properties. As at 31 July 2021, certain significant inputs used in the determination of fair value of the investment properties are arrived at by reference to certain significant unobservable market data, the fair value of the investment properties of the Group is included in level 3 of the fair value measurement hierarchy (2020: Same).

15. INVESTMENT PROPERTIES – *continued*

The Group's investment properties are leased properties in relation to operating lease used in the sub-leasing business. Fair value of the investment properties are generally derived by using income capitalisation method. Income capitalisation method is based on capitalising the rental income derived from the existing tenancies, if any, with due provision for the reversionary potential of each constituent portion of the property at appropriate capitalisation rates.

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

There were no changes to the valuation techniques during the year ended 31 July 2021 (2020: Same).

16. RIGHT-OF-USE ASSETS

	Office premises HK$'000
Cost	
At 1 August 2019	813
Additions	1,662
Disposal of a subsidiary (Note 31(b))	(766)
At 31 July 2020	1,709
Additions	–
Derecognition upon termination of leases	(46)
At 31 July 2021	1,663
Accumulated depreciation	
At 1 August 2020	–
Charge for the year (Note 9)	854
Disposal of a subsidiary (Note 31(b))	(300)
At 31 July 2020	554
Charge for the year (Note 9)	880
Derecognition upon termination of leases	(20)
At 31 July 2021	1,414
Net carrying amount	
At 31 July 2020	1,155
At 31 July 2021	**249**

16. RIGHT-OF-USE ASSETS – *continued*

	2021 HK$'000	2020 HK$'000
Expense relating to short-term leases (Note 9)	(5,771)	(3,088)
Rent concessions (Note 7)	3,141	1,594
Interest on lease liabilities (Note 8)	(15,867)	(16,387)
Depreciation on investment properties (Note 9)	(43,824)	(37,635)
Depreciation on right-of-use assets (Note 9)	(880)	(854)
Total amount recognised in profit or loss	(63,201)	(56,370)
Leases receipts of finance lease receivables	52,520	47,488
Total cash outflow for leases (excluding expense relating to short-term leases)	(96,752)	(79,623)
Total cash inflow of leases receipt under operating lease	60,059	47,297

The maturity analysis of the lease liabilities is disclosed in Note 23.

Note:

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

The Group regularly entered into short-term leases for office premises. As at 31 July 2021, the regularly portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses disclosed above (2020: Same).

17. FINANCE LEASE RECEIVABLES

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

	2021 HK$'000	2020 HK$'000
Amounts receivable under finance leases:		
Year 1	58,972	52,868
Year 2	34,918	34,248
Year 3	15,662	15,802
Year 4	7,923	4,604
Year 5 and afterwards	6,406	4,082
Undiscounted lease payments	123,881	111,604
Less: unearned finance income	(13,292)	(13,246)
Present value of lease payments receivable	110,589	98,358
Less: Allowance for credit losses (Note 35(ii))	(83)	(152)
Net investment in the leases	110,506	98,206
Undiscounted lease payments analysed as:		
Recoverable within 12 months	58,972	52,868
Recoverable after 12 months	64,909	58,736
	123,881	111,604
Net investment in the lease analysed as:		
Year 1	58,972	52,868
Less: unearned finance income within 1 year	(7,044)	(7,456)
Recoverable within 12 months	51,928	45,412
Less: Allowance for credit losses	(50)	(70)
	51,878	45,342
Recoverable after 12 months	58,661	52,946
Less: Allowance for credit losses	(33)	(82)
	58,628	52,864

17. FINANCE LEASE RECEIVABLES – *continued*

The Group's finance lease receivables are leased properties in relation to finance lease used in sub-leasing business. The directors of the Company estimate the loss allowance on finance lease receivables at the end of the reporting period at an amount equal to lifetime ECL. None of the finance lease receivables at the end of the reporting period is past due, and taking into account the historical default experience and the future prospects of the industries in which the lessees operate, the directors of the Company consider that finance lease receivable of approximately HK$83,000 (2020: approximately HK$152,000) is impaired (Note 35(ii)).

18. GOODWILL

Goodwill was arising from the acquisition of ZSGT (as defined in Note 30) during the year ended 31 July 2020, which has been allocated to property sub-leasing and management service business (the "**CGU**"). The goodwill recognised is not expected to be deductible for income tax purpose.

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

The recoverable amount of such CGU as at 31 July 2021 has been determined based on a value-in-use (2020: value-in-use) calculation. The calculation uses cash flow projections based on most recent financial budgets approved by management covering an indefinite period as estimated by the Group as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. Cash flows beyond the projection period are extrapolated using an estimated growth rate of 2% (2020: 2%). The pre-tax rate used to discount the forecast cash flows is 15.66% (2020: 14.50%).

The key assumptions including growth rate is based on the relevant industry growth forecast and does not exceed the average long-term growth rate for relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on past practices and the management's expectations for the market development. The pre-tax discount rate reflects specific risks relating to the relevant segment.

As at 31 July 2021, the directors of the Company determine that there was no impairment loss on goodwill (2020: Nil).

The management believes that any reasonable possible change in any of these assumptions would not cause the aggregate carrying amount of CGU to exceed aggregate recoverable amount of CGU.

19. TRADE RECEIVABLES AND CONTRACT ASSETS

	2021 HK$'000	2020 HK$'000
Trade receivables, gross	15,732	22,423
Less: Allowance for credit losses (Note 35(ii))	(106)	(762)
Trade receivables, net (Note (a))	15,626	21,661
Contract assets, gross	8,694	22,769
Less: Allowance for credit losses (Note 35(ii))	(9)	(118)
Contract assets, net (Note (b))	8,685	22,651
Total	24,311	44,312

Notes:

(a) **Trade receivables**

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

Normally 90 days of credit period is granted to certain customers under Hong Kong business and no credit period is granted to the customers under PRC business (2020: Same).

The ageing analysis of trade receivables, net of loss allowance, based on invoice date as at the end of the reporting period, is as follows:

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

19. TRADE RECEIVABLES AND CONTRACT ASSETS – *continued*

Notes: – *continued*

(a) Trade receivables – *continued*

The ageing analysis of trade receivables, net of loss allowance, based on due date as at the end of the reporting period, is as follows:

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

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

Details of impairment assessment of trade receivables as at reporting date are set out in Note 35(ii).

(b) Contract assets

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

19. TRADE RECEIVABLES AND CONTRACT ASSETS – *continued*

Notes: – *continued*

(b) Contract assets – *continued*

Notes:

(i) Certain percentage of the progress settlement are withheld by the customer, which is subject to a maximum amount calculated as the prescribed percentage of the contract sum. Retention sum for contract works are settled in accordance with the terms of the respective contracts. Retention money is included in contract assets until the end of the retention period as the Group's entitlement to final payment after passing inspection at the completion of the contract works. The relevant amount of contract assets is unsecured and interest-free and reclassified to trade receivables when the final inspection passed.

(ii) A contract asset, net of contract liability related to the same contract, is recognised over the period in which the services are performed, representing the Group's rights to consideration for work completed to-date and not billed because the rights are conditional upon achieving the agreed milestones in the contract by the Group and the work is pending for the certification by the customers. The contract assets are transferred to trade receivables when the rights become unconditional, at which time the amounts become billable to the customer. The Group typically transfer contract assets to trade receivables upon achieving the agreed milestones in the contracts.

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

Details of impairment assessment of contract assets at the reporting date are set out in Note 35(ii).

20. PREPAYMENTS, DEPOSITS PAID AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Current		
Prepayments (Note (a))	4,526	12,641
Deposits paid (Note (c))	13,830	2,142
Other receivables (Note (b))	6,601	959
	24,957	15,742
Less: Allowance for credit losses (Note 35(ii))	–	–
	24,957	15,742
Non-current		
Deposits paid (Note (c))	12,422	21,935
Total	37,379	37,677

Notes:

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

At 31 July 2021, balance also includes an amount of approximately HK$583,000 (2020: approximately HK$9,392,000) which relates to prepaid costs to certain sub-contractors in relation to the contracts for contracting and interior design and decoration work entered into by the Group, which would be utilised as sub-contracting costs incurred within the next financial year.

(b) As at 31 July 2021, balance amounting to approximately HK$5,395,000 is due from the Buyer (as defined in Note 30) which was arisen from the disposal of the New Brio Engineering Limited ("**NBE**") by the Group (Note 31(a)). The amount is non-interest bearing and no fixed repayment terms. The directors of the Company considered that the ECL is minimal at the end of the reporting period as the credit risk of the Buyer is considered as low by referring to its financial position. Subsequent to the reporting period, the balance has been fully settled.

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

Details of impairment assessment of deposits paid and other receivables at the reporting date are set out in Note 35(ii).

21. RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

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

Notes:

On 11 October 2019, the Group received an amount of HK$30,000,000 regarding to a loan from a shareholder (Note 25), which is restricted to be used in the purpose of financing the Company's potential acquisition of an office premise in Hong Kong and its related expenses, and provide extra assurance for the Profit Guarantee (as defined in Note 25).

After assessment of the internal resources of the Group, the directors of the Company consider that it would be sufficient for the Group to apply half amount of the loan from a shareholder for the development of the Group's property subleasing business. As such, on 3 April 2020, the Company repaid HK$15,000,000 to Mr. Lin. Mr. Lin consented to and the Company released the remaining restricted cash for development of the Group's property subleasing business (Note 25). As at 31 July 2021, the Group has no balance of restricted cash in respect of the loan from a shareholder (2020: Nil).

As at 31 July 2020, there is an outstanding arbitration commenced by two sub-contractors (the "**Sub-Contractors**") against the subsidiary in the PRC of the Group (the "**Subsidiary**") claiming construction fees, together with the late payments and unilateral termination of contracts, totaling approximately RMB6,471,200 (equivalent to approximately HK$7,159,000) (the "**Arbitration**"). The restricted cash in the bank account of the Subsidiary amounted to approximately HK$1,635,000 which had already been frozen by judicial freezing. Such bank account was released from judicial freezing during the year ended 31 July 2021. Details of the Arbitration are set out in Note 22(a).

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

Notes: – *continued*

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

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

As at 31 July 2021, included in cash and cash equivalents of the Group is approximately HK$75,017,000 (2020: approximately HK$41,034,000) of cash at banks and bank deposits denominated in RMB placed with the banks in the PRC. RMB is not a freely convertible currency; however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through the banks authorised to conduct foreign exchange business in the PRC.

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

Details of impairment assessment at the reporting date are set out in Note 35(ii).

22. TRADE AND OTHER PAYABLES, DEPOSITS RECEIVED, CONTRACT LIABILITIES AND ACCRUALS

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

Notes:

(a) **Trade payables**

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

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

Notes: – *continued*

(a) **Trade payables** – *continued*

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

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

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

In relation to the Arbitration (as defined in Note 21), judicial freezing was made against the bank account of the Subsidiary in the amount of up to RMB6,387,200 (equivalent to approximately HK$7,066,000) (which covers substantially most of the amount claimed under the Arbitration) was filed. As at 31 July 2020, the bank balance of the Subsidiary is amounted to approximately RMB1,478,000 (equivalent to approximately HK$1,635,000) (Note 21). Other than the above judicial freezing of bank account, the Subsidiary was not subject to any other asset protection order as at 31 July 2020. The trade payables of the Group as at 31 July 2020 included an amount of approximately HK$3,486,000 which relates to the contracts under the Arbitration and recognised based on the completed works of the Sub-Contractors as at 31 July 2020.

The Subsidiary has entered into a supplemental agreement with the customer (the "**Supplemental Agreement**") during the year under the Arbitration. The customer irrevocably and unconditionally agreed and undertook to fully indemnify the Subsidiary for all possible losses and responsibilities that may be incurred or suffered by the Subsidiary under the Arbitration. During the year ended 31 July 2020, the customer has deposited the amount of RMB2,600,000 (equivalent to approximately HK$2,876,000) to the Group as the guarantee on the indemnity as disclosed in Note 22(b).

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

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

Notes: – *continued*

(a) **Trade payables** – *continued*

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

(b) As at 31 July 2020, balance amounting to approximately HK$2,876,000 arose from the deposit received from the customer in relation to the guarantee on the indemnity of the Arbitration which has been refunded as mentioned in Note 22(a).

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

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

Movements in contract liabilities

	2021 HK$'000	2020 HK$'000
At the beginning of the year	**430**	1,392
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**–**	(1,392)
Disposal of a subsidiary (Note 31(a))	**(430)**	–
Increase of receipts in advance from customers	**–**	430
At the end of the year	**–**	430

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

23. LEASE LIABILITIES

The following table shows the remaining contractual matures of the Group's lease liabilities at the end of the reporting period:

	At 31 July 2021		At 31 July 2020	
	Total minimum lease payments HK$'000	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000	Present value of the minimum lease payments HK$'000
Within one year	79,134	68,630	86,105	72,179
After one year but within two years	49,611	44,437	66,608	59,534
After two years but within five years	42,971	38,507	49,059	43,544
After five years	–	–	7,747	7,104
	171,716	151,574	209,519	182,361
Less: total future interest expenses	(20,142)		(27,158)	
Present value of lease liabilities	151,574		182,361	
Less: Portion classified as current	(68,630)		(72,179)	
Non-current portion	82,944		110,182	

The weighted average lease's incremental borrowing rates applied by the Group ranged from 6.53% to 12.69% (2020: 6.53% to 12.69%) per annum.

24. DEFERRED TAX LIABILITIES

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

	Leases HK$'000	Fair value arising from business combination HK$'000	Total HK$'000
At as 1 August 2019	2,438	220	2,658
Credited to consolidated profit or loss (Note 11)	(231)	(89)	(320)
Exchange realignment	(67)	(7)	(74)
At 31 July 2020 and 1 August 2020	2,140	124	2,264
Credited to consolidated profit or loss (Note 11)	(237)	(95)	(332)
Exchange realignment	181	10	191
At 31 July 2021	**2,084**	**39**	**2,123**

Note:

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained earnings of the PRC subsidiaries amounting to approximately HK$53,024,000 (2020: approximately HK$27,581,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

25. LOAN FROM A SHAREHOLDER

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

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

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

Given the changes in economic environment, in particular the social unrest in Hong Kong during the year ended 31 July 2020, 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.

25. LOAN FROM A SHAREHOLDER – *continued*

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

	HK$'000
At 1 August 2019	–
Proceeds from shareholder's loan	30,000
Discount at inception	(6,565)
Repayment to a shareholder	(15,000)
Loss on modification of shareholder's loan (Note 8)	2,844
Unwinding of imputed interest (Note 8)	1,844
At 31 July 2020	13,123
Unwinding of imputed interest (Note 8)	1,477
At 31 July 2021	**14,600**

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

26. SHARE CAPITAL

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

27. SHARE OPTION SCHEME

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

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

27. SHARE OPTION SCHEME – *continued*

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

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

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

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

27. SHARE OPTION SCHEME – *continued*

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

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

No share options were granted since the adoption of the Scheme and there were no share option outstanding as at 31 July 2021 (2020: Nil).

28. RESERVES

Share premium

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

Other reserves

(i) Merger reserve

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

(ii) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 4.12.

(iii) Statutory reserve

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

28. RESERVES – *continued*

Other reserves – *continued*

(iv) Other reserve

On 10 October 2019, the shareholder's loan of aggregated amount of HK$30,000,000 was advanced from a shareholder of the Company. The shareholders' loan is unsecured, interest-free and will be repayable within five business days after the publication of the Company of the annual results announcement for the financial year ending 31 July 2021. The shareholder's loan is discounted at inception as detailed in Note 25. The difference between the principal amount and discounted amount at the drawdown date was deemed as capital contribution from the shareholder to the Company and recognised in other reserve.

	Merger reserve HK$'000	Exchange fluctuation reserve HK$'000	Statutory reserve HK$'000	Other reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 August 2019	(494)	88	430	–	52,619	52,643
Profit for the year	–	–	–	–	11,650	11,650
Other comprehensive expenses for the year						
Exchange differences on translation of financial statements of foreign operations	–	(731)	–	–	–	(731)
Total comprehensive (expenses)/income for the year	–	(731)	–	–	11,650	10,919
Transfer to statutory reserve	–	–	2,900	–	(2,900)	–
Deemed capital contribution arising from non-current interest-free shareholder's loan (Note 25)	–	–	–	6,565	–	6,565
At 31 July 2020	(494)	(643)	3,330	6,565	61,369	70,127
Profit for the year	–	–	–	–	17,050	17,050
Other comprehensive loss for the year						
Exchange differences on translation of financial statements of foreign operations	–	6,607	–	–	–	6,607
Total comprehensive income for the year	–	6,607	–	–	17,050	23,657
Transfer to statutory reserve	–	–	2,707	–	(2,707)	–
At 31 July 2021	**(494)**	**5,964**	**6,037**	**6,565**	**75,712**	**93,784**

29. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Notes	2021 HK$'000	2020 HK$'000
Profit before income tax		24,720	20,952
Adjustments for:			
Depreciation of investment properties	9	43,824	37,635
Depreciation of property, plant and equipment	9	789	1,455
Depreciation of right-of-use assets	9	880	854
Finance costs	8	17,344	21,075
Loss on derecognition upon termination of leases of finance lease receivables and lease liabilities, net	9	4,324	1,383
Loss on derecognition of investment properties upon transfer to finance lease receivables		28	–
Written off of deposits paid		38	–
Gain on derecognition upon termination of leases of investment properties and lease liabilities, net	7	(408)	(268)
Rent concessions	7	(3,141)	(1,594)
(Reversal of)/provision for impairment losses on trade receivables, contract assets and finance lease receivables, net	35(ii)	(164)	50
Interest income	7	(1,328)	(514)
Gain on disposal of a subsidiary	7	(1,296)	–
Gain on lease modification	7	(839)	–
Write-off of property, plant and equipment	9	–	272
Gain on disposal of property, plant and equipment	7	–	(98)
Operating profit before working capital changes		84,771	81,202
Decrease/(increase) in contract assets		13,715	(4,328)
Decrease/(increase) in trade receivables		6,759	(2,193)
Decrease in finance lease receivables		36,894	27,334
Decrease/(increase) in prepayment, deposits paid and other receivables		2,155	(10,915)
(Decrease)/increase in trade and other payables and deposits received		(14,933)	787
Decrease in contract liabilities		–	(962)
Decrease/(increase) in restricted cash		1,635	(1,635)
Net cash generated from operations		130,996	89,290

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

(b) Reconciliation of liabilities from financing activities

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

	Amount due to a related party included in trade and other payables HK$'000	Lease liabilities (Note 23) HK$'000	Loan from a shareholder (Note 25) HK$'000	Total HK$'000
At 1 August 2019	1,000	184,098	–	185,098
Changes from financing activities:				
Payment of principal portion of lease liabilities	–	(63,236)	–	(63,236)
Payment of interest portion of lease liabilities	–	(16,387)	–	(16,387)
Release of restricted cash	–	–	15,000	15,000
Repayment to a related party	(1,000)	–	–	(1,000)
Total changes from financing cash flows	(1,000)	(79,623)	15,000	(65,623)
Other changes				
Addition of lease liabilities	–	87,950	–	87,950
Derecognition upon termination of lease of investment properties and lease liabilities	–	(19,309)	–	(19,309)
Disposal of a subsidiary (Note 31(b))	–	(466)	–	(466)
Rent concessions (Note 7)	–	(1,594)	–	(1,594)
Interest expenses on lease liabilities	–	16,387	–	16,387
Discount at inception of loan from a shareholder (Note 25)	–	–	(6,565)	(6,565)
Loss on modification of shareholder's loan (Note 25)	–	–	2,844	2,844
Unwinding of imputed interest on loan from a shareholder (Note 25)	–	–	1,844	1,844
Exchange realignment	–	(5,082)	–	(5,082)
Total other changes	–	77,886	(1,877)	76,009
At 31 July 2020	–	182,361	13,123	195,484

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

(b) Reconciliation of liabilities from financing activities – *continued*

	Amount due to a related party included in trade and other payables HK$'000	Lease liabilities (Note 23) HK$'000	Loan from a shareholder (Note 25) HK$'000	Total HK$'000
At 1 August 2020	–	182,361	13,123	195,484
Changes from financing activities:				
Payment of principal portion of lease liabilities	–	(80,885)	–	(80,885)
Payment of interest portion of lease liabilities	–	(15,867)	–	(15,867)
Total changes from financing cash flows	–	(96,752)	–	(96,752)
Other changes				
Addition of lease liabilities	–	48,218	–	48,218
Derecognition upon termination of lease of investment properties, finance lease receivables and lease liabilities	–	(14,878)	–	(14,878)
Lease modification	–	5,059	–	5,059
Rent concessions (Note 7)	–	(3,141)	–	(3,141)
Interest expenses on lease liabilities (Note 8)	–	15,867	–	15,867
Unwinding of imputed interest on loan from a shareholder (Note 8)	–	–	1,477	1,477
Exchange realignment	–	14,840	–	14,840
Total other changes	–	65,965	1,477	67,442
At 31 July 2021	–	151,574	14,600	166,174

30. SUBSIDIARIES

As at the date of this report, the Company has direct or indirect interests in the following principal subsidiaries, the particulars of which are set forth as below:

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Issued and paid up share capital	Percentage of ownership interest held (directly and indirectly) by the company as at 31 July	
				2021	2020
Directly held					
KSL Enterprises Limited	BVI, limited liability company	Investment holding in Hong Kong	United States Dollars ("**US$**")1	100%	100%
Focus Business Consultants Investment Limited	BVI, limited liability company	Investment holding in Hong Kong	US$100	100%	100%
Fortune Around Limited	BVI, limited liability company	Investment holding in Hong Kong	US$1	100%	100%
Upscale Century Limited	BVI, limited liability company	Investment holding in Hong Kong	US$1	100%	100%
Indirectly held					
New Brio Associates Limited	Hong Kong, limited liability company	Provision of engineering consulting services in Hong Kong	HK$10,000	100%	100%
KSL Engineering Limited	Hong Kong, limited liability company	Provision of contracting, interior design and decoration and project management services in Hong Kong	HK$10,000	100%	100%
Sky Planner Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	HK$1	100%	100%
NBE (Note)	Hong Kong, limited liability company	Provision of contracting and interior design and decoration services in Hong Kong	HK$1,000,000	–	51%
Shenzhen Zhongshenguotou Assets Management Company Limited ("**ZSGT**")# (深圳中深國投資產管理有限公司)	PRC, limited liability company	Provision of interior design and decoration services and property sub-leasing in the PRC	RMB10,000,000	100%	100%
Shenzhen Fuqingyuan Technology Limited# (深圳市福清源科技有限公司) ("**Fuqingyuan**")	PRC, limited liability company	Investment holding in the PRC	RMB5,000,000	100%	100%
Guangzhou Desheng Technology Limited# (廣州市得昇科技有限公司)	PRC, limited liability company	Provision of commodity trading arrangement services	RMB10,000,000	100%	–

For identification purpose only

30. SUBSIDIARIES – *continued*

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

Note:

On 30 December 2020, the Group entered into the sale and purchase agreement to dispose of its entire equity interest in NBE, a 51% indirectly owned subsidiary which is principally engaged in the provision of contracting and interior design and decoration services in Hong Kong, at a consideration of HK$510,000 to an independent third party ("**Buyer**"). The disposal was completed on 30 December 2020 ("**Disposal Date**"), and since then, the Group has no equity interest in and control over NBE. Gain on disposal of a subsidiary of approximately HK$1,296,000 was recognised as "other income and gains" in the consolidated profit or loss. NBE has material non-controlling interests ("**NCI**") before the disposal. Summarised financial information in relation to NBE for the period up to the Disposal Date, before intra-group eliminations, is presented below:

	NBE	
	2021	2020
	HK$'000	HK$'000
NCI percentage	**49%**	49%
As at Disposal Date/31 July		
Non-current assets	**–**	–
Current assets	**9,682**	4,374
Current liabilities	**(11,223)**	(5,904)
Net liabilities	**(1,541)**	(1,530)
For the period up to Disposal Date/year ended 31 July		
Revenue	**–**	17,946
(Loss)/profit before income tax	**(10)**	230
Income tax expense	**–**	–
Other comprehensive income	**–**	–
Total comprehensive (expenses)/income	**(10)**	230
Total comprehensive (expenses)/income allocated to NCI	**(5)**	113
Cash flows from operating activities	**(24)**	7,154
Cash flows from investing activities	**–**	55
Cash flows from financing activities	**(789)**	(7,011)
Net cash (outflows)/inflows	**(813)**	198

31. DISPOSAL OF SUBSIDIARIES

(a) NBE

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

The net carrying amounts of assets/(liabilities) of NBE as at the completion date of the disposal were 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 (Note 22(c))	(430)
Tax payable	(264)
Net liabilities disposed of	(1,541)
NCI at the date of disposal	755
Gain on disposal of a subsidiary (Note 7)	1,296
Total consideration satisfied by cash	510
Assignment of amount due to immediate holding company to the Buyer#	5,465
	5,975
Net cash inflow arising on disposal:	
Cash consideration received	510
Cash and cash equivalents disposed of	(5)
Net cash inflow	505

On the date of disposal, the Buyer has taken up the amount due by NBE of approximately HK$5,465,000, such balance was reclassified to "Other receivables" (Note 20(b)) accordingly.

31. DISPOSAL OF SUBSIDIARIES – *continued*

(b) Holy Charm Limited

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

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

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

32. COMMITMENTS

(a) Capital commitment

The registered capital of Fuqingyuan is RMB5,000,000. The Group committed at 31 July 2021 to invest in Fuqingyuan, a wholly-owned subsidiary, amounting to RMB5,000,000 (equivalent to approximately HK$6,014,500) (2020 RMB5,000,000 (equivalent to approximately HK$5,531,500)).

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

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

Arrangement for sub-leasing to external tenants are negotiated for terms ranging from 3 months to 6 years (2020: 3 months to 6 years). As at the end of the reporting period, the Group had total future minimum sublease payments expected to be received under non-cancellable sub-leasing arrangements with its tenants falling due as follows:

	2021 **HK$'000**	2020 HK$'000
Within one year	**36,588**	45,773
In the second to fifth years, inclusive	**18,802**	37,685
	55,390	83,458

33. RELATED PARTY TRANSACTIONS

(a) The Group did not have any significant related party transaction with related parties during the year. During 31 July 2020, there was management fee income of approximately HK$660,000 derived from Mr. Lin for rendering administrative and accounting services as disclosed in Note 7.

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

(c) Details of Profit Guarantee and interest-free loan advanced from a shareholder, Mr. Lin is disclosed in Note 25.

34. FINANCIAL INSTRUMENTS BY CATEGORY

	2021 HK$'000	2020 HK$'000
Financial assets		
Financial assets measured at amortised cost		
– Trade receivables	15,626	21,661
– Deposits paid and other receivables	32,853	25,036
– Finance lease receivables	110,506	98,206
– Restricted cash	–	1,635
– Cash and cash equivalents	112,830	82,696
	271,815	229,234
Financial liabilities		
Financial liabilities at amortised cost		
– Trade and other payables and deposits received	47,393	58,129
– Lease liabilities	151,574	182,361
– Loan from a shareholder	14,600	13,123
	213,567	253,613

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(i) Interest rate risk

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

The Group had no variable-rate borrowings as at 31 July 2021 (2020: Nil).

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

(ii) Credit risk and impairment assessment

Risk management

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

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

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

There are no significant concentrations of credit risk within the Group as the customer base of the Group is widely diversified.

Impairment of financial assets and contract assets

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

- trade receivables and contract assets arising from contracts with customers;
- finance lease receivables; and
- deposits paid and other receivables.

Trade receivables, contract assets and finance lease receivables

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

The Group uses provision matrix to calculate ECL for trade receivables, contract assets and finance lease receivables. To measure the ECL, trade receivables, contract assets and finance lease receivables have been grouped based on shared credit risk characteristics and the days past due.

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

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

Impairment of financial assets and contract assets – continued

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

The estimated ECL loss rates are estimated based on the Group's historical settlement experience of various groups of debtors that have similar loss patterns and are adjusted forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated. The Group has identified the gross domestic product in Hong Kong and the PRC to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at the end of the reporting period was determined as follows for trade receivables:

	Expected loss rate	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Ageing based on the due date				
As at 31 July 2021				
Neither past due nor impaired	0.4%	2,800	(11)	2,789
Past due for less than 1 month	0.7%	12,731	(94)	12,637
Past due for more than 1 month but less than 2 months	0.7%	201	(1)	200
Past due for more than 2 months but less than 3 months	N/A	–	–	–
Past due for more than 3 months but less than 1 year	N/A	–	–	–
Past due for more than 1 year	N/A	–	–	–
		15,732	(106)	15,626

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

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

Impairment of financial assets and contract assets – continued

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

	Expected loss rate	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Ageing based on the due date				
As at 31 July 2020				
Neither past due nor impaired	1.8%	5,177	(91)	5,086
Past due for less than 1 month	0.2%	16,320	(39)	16,281
Past due for more than 1 month but less than 2 months	1.8%	55	(1)	54
Past due for more than 2 months but less than 3 months	1.8%	55	(1)	54
Past due for more than 3 months but less than 1 year	N/A	36	–	36
Past due for more than 1 year	80.8%	780	(630)	150
		22,423	(762)	21,661

Decrease in loss allowance during the year is due to NBE with certain long-aged debtors was disposed during the year.

The contract assets relate to work completed but not billed at the reporting date and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables under interior design and decoration work business are a reasonable approximation of the loss rates for the contract assets. The Group's finance lease receivables are leased properties in relation to finance lease used in sub-leasing business which have substantially the same risk characteristics as the trade receivables under the sub-leasing contracts. The Group has also concluded that the expected loss rates for trade receivables on sub-leasing business are a reasonable approximation of the loss rates for the finance lease receivables.

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

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

Impairment of financial assets and contract assets – continued

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

On that basis, the loss allowance as at the end of the reporting period was determined as follows for contract assets and finance lease receivables:

	Expected loss rate	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Contract assets				
As at 31 July 2021	**0.1%**	**8,694**	**(9)**	**8,685**
As at 31 July 2020	0.5%	22,769	(118)	22,651
Finance lease receivables				
As at 31 July 2021	**0.1%**	**110,589**	**(83)**	**110,506**
As at 1 August 2020	0.2%	98,358	(152)	98,206

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

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

Impairment of financial assets and contract assets – continued

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

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

	Trade receivables HK$'000	Contract assets HK$'000	Finance lease receivables HK$'000	Total HK$'000
At 1 August 2019	875	107	–	982
(Decrease)/increase in loss allowance recognised in consolidated profit or loss during the year	(113)	11	152	50
At 31 July 2020 and 1 August 2020	762	118	152	1,032
Decrease in loss allowance recognised in consolidated profit or loss during the year	(22)	(73)	(69)	(164)
Disposal of a subsidiary	(634)	(36)	–	(670)
At 31 July 2021	**106**	**9**	**83**	**198**

Trade receivables, contract assets and finance lease receivables are written off when there is no reasonable expectation of recovery. During the year ended 31 July 2021, there is no written off against the provision (2020: Nil).

Impairment losses on trade receivables, contract assets and finance lease receivables are presented as net impairment losses within operating profit.

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

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

Impairment of financial assets and contract assets – continued

Other financial assets at amortised cost

For the purpose of internal credit risk management, the Group uses the past-due information of counterparties to assess whether credit risk has increased significantly since initial recognition. ECL for other financial assets at amortised cost, including deposits paid and other receivables, are assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition.

In order to minimise the credit risk on deposits paid and other receivables, the management of the Company closely monitor the follow-up action taken to recover any receivable balances outstanding over 180 days. In addition, the Group monitors subsequent settlement of each of the receivables to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the Group performs impairment assessment under ECL model on other balances individually. In this regard, the directors of the Company consider that the Group's credit risk on the deposits paid and other receivables is significantly reduced.

The credit risk on restricted cash and cash and cash equivalents is limited because the Group's bank deposit and bank balances are all deposited with major banks located in Hong Kong and the PRC with high credit ratings assigned by international credit-rating agencies and PRC stated-owned banks with good reputation.

The loss allowance for other financial assets at amortised cost as at the end of the reporting period as follows:

	Deposits paid and other receivables HK$'000
At 1 August 2019	326
Disposal of a subsidiary	(326)
At 31 July 2020 and 1 August 2020 and 31 July 2021	–

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

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

Impairment of financial assets and contract assets – continued

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets/finance lease receivables	Other financial assets
Performing	The counterparty has a low to moderate risk of default and does not have any past-due amounts	Lifetime ECL (not credit-impaired)	12m ECL
Underperforming	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL (not credit-impaired)	Lifetime ECL (not credit-impaired)
Non-performing	There is evidence indicating the asset is credit-impaired	Lifetime ECL (credit-impaired)	Lifetime ECL (credit-impaired)
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

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

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

Impairment of financial assets and contract assets – continued

The table below detail the credit risk exposure of the Group's financial assets and contract assets, which are subject to ECL assessment:

	Notes	Internal credit rating	Gross carrying amount 2021 HK$'000	Gross carrying amount 2020 HK$'000
Financial assets at amortised cost:				
Trade receivables	19	Performing	**15,732**	21,643
	19	Non-performing	**–**	780
Finance lease receivables	17	Performing	**110,589**	98,358
Deposits and other receivables	20	Performing	**32,853**	25,036
Cash and cash equivalents	21	N/A	**112,830**	82,696
Other items:				
Contract assets	19	Performing	**8,694**	22,769

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

(iii) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and long term. Management believes there is no significant liquidity risk as the Group has sufficient reserves of cash and cash equivalents to fund their operations.

The following table details the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Group may be required to pay:

	On demand or within one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Over five years HK$'000	Total undiscounted amount HK$'000	Discount HK$'000	Total HK$'000
At 31 July 2021							
Trade and other payables and deposits received	36,469	5,740	5,073	111	47,393	–	47,393
Lease liabilities	79,134	49,611	42,971	–	171,716	(20,142)	151,574
Loan from a shareholder	13,123	–	–	–	13,123	1,477	14,600
	128,726	55,351	48,044	111	232,232	(18,665)	213,567
At 31 July 2020							
Trade and other payables and deposits received	39,446	11,627	6,751	305	58,129	–	58,129
Lease liabilities	86,105	66,608	49,059	7,747	209,519	(27,158)	182,361
Loan from a shareholder	–	15,000	–	–	15,000	(1,877)	13,123
	125,551	93,235	55,810	8,052	282,648	(29,035)	253,613

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

Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operation and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of equity attributable to equity shareholders of the Company, comprising loan from a shareholder less cash and cash equivalents, share capital and reserves, as disclosed in Notes 21, 25, 26 and 28, respectively.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group actively monitors, reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with certain levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Fair value measurement

The directors of the Company have assessed that the fair value of financial assets and financial liabilities, approximate to their carrying amounts largely due to the short term maturities of these financial instruments.

The fair value of the financial assets and financial 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.

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

(a) Statement of financial position

	2021 HK$'000	2020 HK$'000
Non-current asset		
Investments in subsidiaries	42,790	42,790
Current assets		
Other receivables	191	138
Amounts due from subsidiaries	8,781	8,763
	8,972	8,901
Current liabilities		
Other payables	1,315	1,335
Amounts due to subsidiaries	29,212	22,171
Loan from a shareholder	14,600	–
	45,127	23,506
Net current liabilities	(36,155)	(14,605)
Total assets less current liabilities	6,635	28,185
Non-current liability		
Loan from a shareholder	–	13,123
Net assets	6,635	15,062
Equity		
Share capital	4,112	4,112
Reserves (Note 36(b))	2,523	10,950
Total equity	6,635	15,062

The statement of financial position of the Company was approved and authorised for issue by the board of directors on 30 September 2021 and signed on its behalf by:

Mr. Lin Ye
Director

Mr. Au Siu Chung
Director

36. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY – *continued*

(b) Reserves movement of the Company

	Share premium HK$'000	Special reserve HK$'000 (Note)	Accumulated losses HK$'000	Total HK$'000
At 1 August 2019	24,394	42,276	(56,237)	10,433
Profit for the year	–	–	517	517
At 31 July 2020 and 1 August 2020	24,394	42,276	(55,720)	10,950
Loss for the year	–	–	(8,427)	(8,427)
At 31 July 2021	24,394	42,276	(64,147)	2,523

Note: Special reserve represents the difference between the fair value of the shares of KSL Enterprises Limited acquired pursuant to the reorganisation on 19 November 2014 over the nominal value of the Company's share issued in exchange therefore.

FINANCIAL SUMMARY

For the year ended 31 July 2021

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements is as follows:

	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Revenue	**166,860**	188,422	103,165	37,240	47,399
Cost of services	**(115,519)**	(129,927)	(85,489)	(33,622)	(33,940)
Gross profit	**51,341**	58,495	17,676	3,618	13,459
Other income and gains	**8,577**	4,206	2,738	4,784	3,058
Fair value changes on financial assets at fair value through profit or loss	**–**	–	–	(2,915)	(1,749)
Administrative and other operating expenses	**(18,018)**	(20,624)	(20,812)	(23,653)	(25,953)
Reversal of/(provision for) impairment losses on trade receivables, contract assets and finance lease receivables, net	**164**	(50)	(811)	(17)	(646)
Operating profit/(loss)	**42,064**	42,027	(1,209)	(18,183)	(11,831)
Finance costs	**(17,344)**	(21,075)	–	–	–
Profit/(loss) before income tax	**24,720**	20,952	(1,209)	(18,183)	(11,831)
Income tax expense	**(7,675)**	(9,189)	(2,442)	(490)	(578)
Profit/(loss) for the year	**17,045**	11,763	(3,651)	(18,673)	(12,409)
Other comprehensive (loss)/income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of financial statements of foreign operations	**6,607**	(731)	88	–	–
Other comprehensive (loss)/income for the year	**6,607**	(731)	88	–	–
Total comprehensive income/(loss) for the year, net of income tax	**23,652**	11,032	(3,563)	(18,673)	(12,409)
Profit/(loss) for the year attributable to:					
Owners of the Company	**17,050**	11,650	(7,051)	(14,651)	(11,387)
Non-controlling interests	**(5)**	113	3,400	(4,022)	(1,022)
Profit/(loss) for the year	**17,045**	11,763	(3,651)	(18,673)	(12,409)
Total comprehensive income/(loss) for the year attributable to:					
Owners of the Company	**23,657**	10,919	(6,963)	(14,651)	(11,387)
Non-controlling interests	**(5)**	113	3,400	(4,022)	(1,022)
Total comprehensive income/(loss) for the year	**23,652**	11,032	(3,563)	(18,673)	(12,409)
Assets and liabilities					
Total assets	**344,587**	363,162	141,946	85,562	100,625
Total liabilities	**(222,297)**	(265,279)	(68,974)	(8,553)	(4,943)
Net assets	**122,290**	97,883	72,972	77,009	95,682
Equity attributable to owners of the Company	**122,290**	98,633	73,835	81,211	95,862
Non-controlling interests	**–**	(750)	(863)	(4,202)	(180)