

# CHINA ALL NATION INTERNATIONAL HOLDINGS GROUP LIMITED


(incorporated in the Cayman Islands with limited liability)

Stock Code: 8170

## 2021/22

### FIRST QUARTERLY REPORT





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

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

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

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This report, for which the directors (the “**Directors**”) of China All Nation International Holdings Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules (the “**GEM Listing Rules**”) Governing the Listing of Securities on GEM 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.

## FINANCIAL HIGHLIGHTS

### FINANCIAL HIGHLIGHTS FOR THE THREE MONTHS ENDED 31 OCTOBER 2021

- The Group's revenue amounted to approximately HK\$37.0 million for the three months ended 31 October 2021 (the "Relevant Period"), representing a decrease of approximately HK\$15.1 million or approximately 29.0% as compared to the three months ended 31 October 2020.
- The profit attributable to owners of the Company is approximately HK\$5.9 million for the Relevant Period, representing an increase of approximately HK\$2.3 million or approximately 63.9% as compared to the three months ended 31 October 2020, which is mainly due to the increase in revenue derived from the commodity trading business of the Group during the Relevant Period.
- The Board does not recommend the payment of dividend for the Relevant Period.



## FIRST QUARTERLY RESULTS

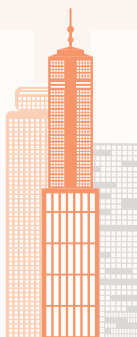
The board of Directors (the “Board”) of China All Nation International Holdings Group Limited is pleased to announce the unaudited condensed consolidated results of the Group for the three months ended 31 October 2021 (the “Relevant Period”), together with the unaudited comparative figures for the corresponding period in 2020, as follows:

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 October 2021

	Notes	Three months ended 31 October	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	3	36,963	52,032
Cost of services		(19,908)	(37,603)
<b>Gross profit</b>		<b>17,055</b>	<b>14,429</b>
Other income and gains	4	575	1,047
Administrative and other operating expenses		(4,499)	(5,518)
Finance costs	5	(3,820)	(4,361)
<b>Profit before income tax</b>	6	<b>9,311</b>	<b>5,597</b>
Income tax expense	7	(3,449)	(2,020)
<b>Profit for the period</b>		<b>5,862</b>	<b>3,577</b>
<b>Other comprehensive income for the period</b> <i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of foreign operations		2,591	2,477
<b>Total comprehensive income for the period, net of income tax</b>		<b>8,453</b>	<b>6,054</b>
<b>Profit/(loss) for the period attributable to:</b>			
Owners of the Company		5,862	3,578
Non-controlling interests		—	(1)
		<b>5,862</b>	<b>3,577</b>
<b>Total comprehensive income/(expenses) for the period attributable to:</b>			
Owners of the Company		8,453	6,055
Non-controlling interests		—	(1)
		<b>8,453</b>	<b>6,054</b>
<b>Earnings per share attributable to the owners of the Company</b>			
— Basic and diluted earnings per share (HK cents)	9	1.42	0.87

Details of dividends are disclosed in Note 8 to the unaudited condensed consolidated financial statements of the Company for the Relevant Period.



## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 October 2021

	Attributable to owners of the Company				Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Sub-total HK\$'000		
<b>Balance as at</b>						
1 August 2020 (audited)	4,112	24,394	70,127	98,633	(750)	97,883
Profit/(loss) for the period	—	—	3,578	3,578	(1)	3,577
Other comprehensive income for the period						
Exchange differences on translation of financial statements of foreign operations	—	—	2,477	2,477	—	2,477
Total comprehensive income/(expenses) for the period	—	—	6,055	6,055	(1)	6,054
<b>As at 31 October 2020 (unaudited)</b>	<b>4,112</b>	<b>24,394</b>	<b>76,182</b>	<b>104,688</b>	<b>(751)</b>	<b>103,937</b>
<b>Balance as at</b>						
1 August 2021 (audited)	4,112	24,394	93,784	122,290	—	122,290
Profit for the period	—	—	5,862	5,862	—	5,862
Other comprehensive income for the period						
Exchange differences on translation of financial statements of foreign operations	—	—	2,591	2,591	—	2,591
Total comprehensive income for the period	—	—	8,453	8,453	—	8,453
<b>As at 31 October 2021 (unaudited)</b>	<b>4,112</b>	<b>24,394</b>	<b>102,237</b>	<b>130,743</b>	<b>—</b>	<b>130,743</b>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 October 2021

## 1. GENERAL INFORMATION

China All Nation International Holdings Group Limited (the “**Company**”) was incorporated and registered as an exempted company with limited liability under the Companies Law of the Cayman Islands. The issued shares of the Company are listed on GEM (“**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The registered office address of the Company is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of the Company’s principal place of business in Hong Kong is Unit 2918, 29/F., Shui On Centre, No. 6–8 Harbour Road, Wanchai, Hong Kong.

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

## 2. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements for the Relevant Period have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated financial statements for the Relevant Period are consistent with those adopted in the consolidated financial statements of the Company for the year ended 31 July 2021, except for the adoption of new and amendments to HKFRSs that affect the Group and has adopted the first time for the current period’s unaudited condensed consolidated first quarterly results.

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the Group. The adoption of these new and revised HKFRSs has no material effect on the unaudited condensed consolidated financial statements.

The Group has not adopted early any new and revised HKFRSs that are relevant to the Group have been issued but are not yet effective for the current accounting period.

The unaudited condensed consolidated financial statements for the Relevant Period have not been audited by the Company’s independent auditor, but have been reviewed by the audit committee of the Board.

The unaudited condensed consolidated financial statements for the Relevant Period are presented in Hong Kong dollars (“**HK\$**”) and all value are rounded to the nearest thousand except when otherwise indicated, which is the functional currency of the Company.



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 October 2021

### 3. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents revenue from provision of contracting, property sub-leasing and management services, interior design and decoration works and commodity trading in the ordinary course of business. Revenue recognised during the three months ended 31 October 2021 and 2020 are as follows:

	Three months ended 31 October	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Revenue from property sub-leasing:</b>		
Gross rental income	15,211	15,659
Finance income on finance lease receivables	2,347	2,103
Net income from sub-leasing right-of-use assets	7,782	1,804
<b>Revenue from contracts with customers within scope of HKFRS 15, types of goods or services:</b>		
Contracting	700	1,520
Property management fee income and value-adding services	3,148	2,929
Interior design and decoration works	3,752	28,017
Commission income from commodity trading	4,023	—
	<u>36,963</u>	<u>52,032</u>

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

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

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

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

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 October 2021

### 3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Commodity trading: Provision of arrangement services in trading of non-ferrous metals 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 unaudited condensed consolidated statement of profit or loss and other comprehensive income.

### 4. OTHER INCOME AND GAINS

	Three months ended 31 October	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Bank interest income	448	308
Government grants	—	432
Others	127	307
	<u>575</u>	<u>1,047</u>

### 5. FINANCE COSTS

An analysis of finance costs is as follows:

	Three months ended 31 October	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest on lease liabilities	3,420	3,951
Loss on modification of shareholder's loan	104	—
Unwinding of imputed interest on loan from a shareholder	296	410
	<u>3,820</u>	<u>4,361</u>



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 October 2021

## 6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Three months ended 31 October	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Sub-contracting costs recognised as an expense	3,610	22,576
Depreciation of investment properties	11,095	10,209
Depreciation of property, plant and equipment	171	219
Depreciation of right-of-use assets	225	209
Loss on derecognition upon termination of leases of finance lease receivables and lease liabilities, net	649	—
Expenses relating to short-term leases	2,017	2,517
Employee benefits expense (including directors' emoluments)*:		
— Salaries and allowances	2,298	2,209
— Retirement benefit scheme contributions (defined contribution scheme)	199	89
Other expenses**	—	419

\* Employee benefit expense (including directors' emolument) of approximately HK\$216,000 (three months ended 31 October 2020: approximately HK\$300,000) and approximately HK\$2,281,000 (three months ended 31 October 2020: approximately HK\$1,998,000) has been included in cost of services and administrative and other operating expenses respectively.

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

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 October 2021

### 7. INCOME TAX EXPENSE

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

No Hong Kong Profits Tax has been provided for the Relevant Period in the unaudited condensed consolidated financial statements as the Group has tax losses brought forward from previous years (for the three months ended 31 October 2020: Nil).

The PRC Enterprise Income Tax (the “EIT”) is calculated at the rate of 25% prevailing in the PRC jurisdiction for the Relevant Period (for the three months ended 31 October 2020: 25%).

	Three months ended 31 October	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
<b>Current – PRC</b>		
Charge for the Relevant Period	2,410	2,557
<b>Deferred tax</b>	<u>1,039</u>	<u>(537)</u>
Income tax expense	<u><u>3,449</u></u>	<u><u>2,020</u></u>

### 8. DIVIDENDS

The Board did not recommend the payment of dividend for the Relevant Period (for the three months ended 31 October 2020: Nil).

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 October 2021

### 9. EARNINGS PER SHARE

The calculations of basic earnings per share for the three months ended 31 October 2021 and 2020 are based on the followings:

	Three months ended 31 October	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Profit for the Relevant Period attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>5,862</u>	<u>3,578</u>
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares in issue for the purpose of basic and diluted earnings per share	<u>411,200</u>	<u>411,200</u>

No diluted earnings per share was presented as there was no potential ordinary shares in issue during the Relevant Period (for the three months ended 31 October 2020: Nil).

## BUSINESS REVIEW AND OUTLOOK

The Company is an investment holding company and its subsidiaries are principally engaged in the civil engineering consulting and contracting services in Hong Kong, property sub-leasing and management business in the PRC, interior design 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 services business segment is operated by Shenzhen Zhongshengtuotou Assets Management Co., Ltd\* (深圳中深國投資產管理有限公司) (“ZSGT”), a wholly-owned subsidiary of the Company in the PRC. One of the principal business of ZSGT is sub-leasing office premises to different clientele in three categories below:

#### (a) *Sub-leasing of premises*

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

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

The Group will provide instant support and services to the sub-tenants, including but not limited to (i) services generally provided by property management agency, such as security service and reception service, which may be sometimes outsourced by the Group to other service providers; (ii) repair and maintenance services and tailor design, renovation and refurbishment services, leveraging the Group’s resource of its interior design and decoration works 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

As at the 31 October 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 32,915 square meters (“sq.m.”) (31 October 2020: approximately 32,782 sq.m.) for its operation of sub-leasing to sub-tenants. The occupancy rate of the Group’s sub-leased properties reached over 87% (31 October 2020: 89%).

### *(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 the 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 October 2021, the Group’s sub-leasing management service covers 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 71,899 sq.m. (31 October 2020: approximately 63,941 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:

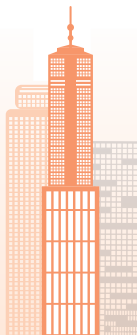
- (i) rental of office space or dedicated desks;
- (ii) rental of private office room/booth;
- (iii) conference rooms; and
- (iv) auxiliary services (e.g. provision of registered office for business licence registration purpose, front-desk and guest reception, business-class printing, mail and packing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

ZSGT leveraged on the existing resources to expand the scale of operation of the property sub-leasing and management services segment. In this segment, ZSGT generated revenue for property sub-leasing and management services of approximately HK\$28.5 million which represented an increase of approximately 26.6% as compared to same period last year (31 October 2020: approximately HK\$22.5 million). During the period, 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 2. Interior design and decoration works business segment

The scope of the interior design and decoration works 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 works business, 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\$3.8 million for the Relevant Period, which represented a decrease of approximately 86.6% as compared to same period last year (31 October 2020: approximately HK\$28.0 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. Contracting business segment

The contracting business segment of the Group is operated by KSL, the revenue for the Relevant Period is approximately HK\$0.7 million, which represented a decrease of approximately 53.9% as compared to the same period last year (31 October 2020: approximately HK\$1.5 million). In order to secure new contracts for the contracting business segment 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

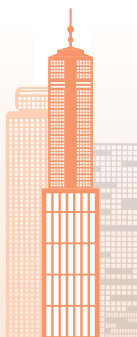
The commodity trading business is operated by Guangzhou Desheng Technology Limited\* (廣州市得昇科技有限公司), a wholly-owned subsidiary of the Company established in the PRC. The revenue for the Relevant Period is approximately HK\$4.0 million (31 October 2020: Nil). The Group has employed a management team with 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. Due to the increase of the prices of non-ferrous metals, it is expected that commodity trading business will continue to bring economic benefits to the Group.

### OUTLOOK

The Board believes that these four business segments, namely, (i) the provision of civil engineering consulting and contracting services businesses; (ii) property sub-leasing and management services business; (iii) Interior design and decoration works business; and (iv) commodity trading business, are supporting the continuing development of the Group's businesses, improving its financial performance and contributing to the growth of the Group.

The financial results of the Group for the three months ended 31 October 2021 proves that the Group is on the right track as its gross profit have steadily increased. Since the Group has developed multiple business lines which are complementary to each other, it no longer solely relies on a single business. The fast-growing property sub-leasing and management services business as well as the commodity trading business do not only provide stable sources of revenue to the Group and improve the Group's profitability, but also diversify the overall business risk of the Group. Expansion of the Group's business to the PRC also allows the Group to maintain its growth momentum and reduce its reliance on a single market especially in view of the current adverse market conditions in Hong Kong.

Looking forward, the Directors will continue to develop the Group's existing businesses in Hong Kong while at the same time continue its expansion in the PRC. The Group and the management team are determined to intensify their effort so that the Group can continue to thrive.



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

Our revenue decreased from approximately HK\$52.0 million for the three months ended 31 October 2020 to approximately HK\$37.0 million for the Relevant Period, representing a decrease of approximately 29.0%. Such decrease was mainly due to the sharply decrease in revenue derived from the interior design and decoration works business which net off the increase in revenue which derived from the property sub-leasing and management services as well as the commodity trading businesses.

### Cost of Services

Our cost of services decreased from approximately HK\$37.6 million for the three months ended 31 October 2020 to approximately HK\$19.9 million for the Relevant Period, representing a decrease of approximately 47.1%. Such decrease was in line with the decrease in revenue of the Group. The major cost items of the Group include sub-contracting charge, depreciation of investment properties and expenses relating to short terms leases and etc.

### Gross Profit

Our gross profit increased from approximately HK\$14.4 million for the three months ended 31 October 2020 to approximately HK\$17.1 million for the Relevant Period, representing an increase of approximately 18.2%, as a result of the increase in the revenue of commodity trading business.

### Other Income and Gains

Our other income and gains decreased by approximately HK\$0.4 million from approximately HK\$1.0 million for the three months ended 31 October 2020 to approximately HK\$0.6 million for the Relevant Period. Such decrease was mainly due to the cut down of government grants.

### Administrative and Other Operating Expenses

Our administrative and other operating expenses amounted to approximately HK\$4.5 million and HK\$5.5 million for the three months ended 31 October 2021 and 2020 respectively, representing a decline of approximately 18.5% for the same period of last year.

### Profit for the Relevant Period

As a results of the aforesaid, the business of the Group recorded a profit of approximately HK\$5.9 million for the Relevant Period, representing an increase of approximately 63.9% as compared to a profit of approximately HK\$3.6 million for the three months ended 31 October 2020.

### Dividends

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

### Liquidity and Financial Resources

The Group maintained a healthy financial position during the Relevant Period. As at 31 October 2021, the Group had cash and cash equivalent of approximately HK\$112.8 million (31 July 2021: approximately HK\$82.7 million).

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

### Gearing Ratio

The gearing ratio of the Group as at 31 October 2021 was 11.4% (31 July 2021: 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 Relevant Period. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

### Pledge of Assets

As at 31 October 2021, the Group did not have any charges on its assets (31 July 2021: 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 three months ended 31 October 2021. Nevertheless, the management will continue to monitor the Group's foreign exchange exposure and will take prudent measures as and when appropriate.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Capital Commitments

The registered capital of Shenzhen Fuqingyuan Technology Limited (“Fuqingyuan”) is RMB5.0 million. The Group committed as at 31 October 2021 to invest in Fuqingyuan, a wholly-owned subsidiary, amounting to RMB5.0 million (equivalent to approximately HK\$6.1 million) (31 July 2021: RMB5.0 million (equivalent to approximately HK\$6.0 million)).

### 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 October 2021.

### Material Acquisitions, Deregistrations and Disposals of Subsidiaries and Affiliated Companies

The Group did not have any other material acquisitions, deregistrations and disposals of subsidiaries and affiliated companies for the period ended 31 October 2021.

### Contingent Liabilities

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

### Future Plans for Material Investments or Capital Assets

For the period ended 31 October 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.

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.



## MANAGEMENT DISCUSSION AND ANALYSIS

### DISCLOSURE OF INTERESTS

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

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

#### *Long positions in the Shares*

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

Note:

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

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

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

As at 31 October 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 of the Company.
3. Mr. Jing Shiqi beneficially owns the entire issued share capital of Wealth Triumph Corporation which in turns hold 60,000,000 Shares. As such, Mr. Jing Shiqi is deemed, or taken to be, interested in all the Shares held by Wealth Triumph Corporation for the purposes of the SFO. Mr. Jing Shiqi is the sole director of Wealth Triumph Corporation.

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### COMPETITION AND CONFLICT OF INTEREST

Having made specific enquiry of all Directors and substantial shareholders, during the Relevant Period, none of the Directors and substantial shareholders of the Company, neither themselves nor their respective close associates (as defined in the GEM Listing Rules) had held any position or had interest in any businesses or companies that were or might be materially competing with the business of the Group, or gave rise to any concern regarding conflict of interests.

### PURCHASE, SALES OF REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

### CORPORATE GOVERNANCE CODE

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

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

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

### CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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



### SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 19 November 2014 (the “Scheme”). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 31 October 2021.

### AUDIT COMMITTEE

The Board established an audit committee (the “Audit Committee”) on 19 November 2014 with its written terms of reference in compliance with paragraphs C.3.3 and C.3.7 of the CG Code. The primary duties of the Audit Committee are to review and supervise the Group’s financial reporting process, risk management, and internal control system of the Group, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance. The Audit Committee consists of three members, namely Ms. Kwong Ka Ki (Chairperson), Mr. Yu Hua Chang and Ms. Guo Liying, all being independent non-executive Directors, Ms. Kwong Ka Ki currently serves as the chairperson of the Audit Committee.

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

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

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

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

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



## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

### EVENTS AFTER THE RELEVANT PERIOD

The Directors are not aware of any other significant event requiring disclosure that has taken place subsequent to 31 October 2021 and up to the date of this report.

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

Hong Kong, 13 December 2021

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