CHINA ALL NATION INTERNATIONAL HOLDINGS GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8170

FIRST QUARTERLY REPORT **2019/20**

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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 of the Stock Exchange 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 2019

- The Group's revenue amounted to approximately HK$34.9 million for the three months ended 31 October 2019 (the "**Relevant Period**"), representing an increase of approximately HK$30.1 million or approximately 627.1% as compared to the three months ended 31 October 2018.

- The profit attributable to owners of the Company is approximately HK$573,000 for the Relevant Period, representing a significant turnaround from the loss of approximately HK$6.3 million for the three months ended 31 October 2018, which is mainly due to the increase in revenue derived from the sub-leasing as well as interior design services and decoration businesses of the Group during the Relevant Period.

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

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 2019 (the "**Relevant Period**"), together with the unaudited comparative figures for the corresponding period in 2018, as follows:

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

For the three months ended 31 October 2019

	Notes	Three months ended 31 October 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Revenue	4	34,922	4,810
Cost of sales	5	(25,595)	(4,287)
Gross profit		9,327	523
Other income and gains		3,111	102
Gain on disposal of subsidiaries		—	73
Administrative and other operating expenses		(5,557)	(4,514)
Impairment loss allowance on trade receivables and contract assets		(281)	—
Finance cost		(4,539)	—
Profit/(loss) before income tax		2,061	(3,816)
Income tax expense	6	(1,310)	—
Profit/(loss) for the period		751	(3,816)
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		(490)	—
Total comprehensive income/(loss) for the period, net of income tax		261	(3,816)
Profit/(loss) for the period attributable to:			
Owners of the Company		573	(6,296)
Non-controlling interests		178	2,480
		751	(3,816)
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		83	(6,296)
Non-controlling interests		178	2,480
		261	(3,816)
Profit/(loss) per share attributable to the owners of the Company			
— Basic and diluted earnings/(loss) per share (HK cents)	8	0.14	(1.53)

Details of dividends are disclosed in Note 7 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 2019

	Attributable to owners of the Company					
	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 31 July 2018	4,112	24,394	52,705	81,211	(4,202)	77,009
(Loss)/profit and total comprehensive (loss)/ income for the period	—	—	(6,296)	(6,296)	2,480	(3,816)
Disposal of subsidiaries	—	—	—	—	31	31
As at 31 October 2018 (unaudited)	4,112	24,394	46,409	74,915	(1,691)	73,224
As at 31 July 2019 as previously reported	4,112	24,394	45,329	73,835	(863)	72,972
Impact on initial application of Hong Kong Financial Reporting Standard 16	—	—	9,107	9,107	—	9,107
Adjusted balance as at 1 August 2019	**4,112**	**24,394**	**54,436**	**82,942**	**(863)**	**82,079**
Profit for the period	—	—	573	573	178	751
Other comprehensive income for the period						
Exchange differences on translation of financial statements of foreign operations	—	—	(490)	(490)	—	(490)
Total comprehensive income for the period	—	—	83	83	178	261
Deemed capital contribution arising from non-current interest-free shareholder's loan	—	—	2,856	2,856	—	2,856
As at 31 October 2019 (unaudited)	**4,112**	**24,394**	**57,375**	**85,881**	**(685)**	**85,196**

1. GENERAL INFORMATION

China All Nation International Holdings Group Limited 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 of the Stock Exchange.

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

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

2. BASIS OF PREPARATION

The 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 ("**Int**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated financial statements for the three months ended 31 October 2019 (the "**Relevant Period**") are consistent with those adopted in the consolidated financial statements of the Company for the year ended 31 July 2019.

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$**"), which is the functional currency of the Company.

3. ADOPTION OF NEW AND REVISED HKFRSs

In the Relevant Period, the Group has adopted a number of new and revised HKFRSs issued by the HKICPA that are effective from 1 August 2019 but they do not have a material effect on the Group's unaudited condensed consolidated financial statements except for the adoption of HKFRS 16 Leases as described in below.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 July 2020.

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases — Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessor will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The details of the changes in accounting policies are disclosed below.

(i) New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a 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 obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 August 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components as a single lease component.

3. ADOPTION OF NEW AND REVISED HKFRSs (CONTINUED)

(ii) As a lessee

The Group has lease contracts for various items of land, property and office equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for the exemption of the short-term lease. The Group has elected not to recognise right-of-use assets and lease liabilities for the lease, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with the lease of as an expense on a straight-line basis over the lease term.

(a) Significant accounting policies

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of use assets are depreciated on a straight line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. 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, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

3. ADOPTION OF NEW AND REVISED HKFRSs (CONTINUED)

(ii) As a lessee (Continued)

(b) Impacts on transition

Lease liabilities as at 1 August 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate as at 1 August 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the unaudited condensed consolidated statement of financial position immediately before 1 August 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of use assets separately in the unaudited condensed consolidated statement of financial position.

The Group applied the following practical expedients on transition to HKFRS 16 for those leases which were previously classified as operating leases under HKAS 17.

– Applied the recognition exemption for leases for which the lease term ends within 12 months of the date of initial application; and

– Excluded the initial direct costs from the measurement of the right-of-use assets.

(iii) As a lessor

The Group leases out its certain leased properties by sub-leasing to external tenants. The Group has classified these leases as an operating lease or a finance lease. The accounting policies applicable to the Group as a lessor are not different from those under HKAS 17. The Group is not required to make any adjustments on transition to HKFRS 16 for leases in which it acts as a lessor.

(iv) Impacts on the unaudited condensed consolidated financial statements

The table below explains the difference between operating lease commitments disclosed as at 31 July 2019 by applying HKAS 17 and lease liabilities recognised as at 1 August 2019 by applying HKFRS 16:

	HK$'000 (Unaudited)
Operating lease commitment as at 31 July 2019	228,034
Less:	
Low-value leases recognised on a straight-line basis as expense	(32)
Lease end with 12 months from the date of the initial application	(2,940)
Operating lease liabilities before discounting as at 31 July 2019	225,062
Effect from discounting at incremental borrowing rate as at 1 August 2019*	(51,162)
Lease liabilities recognised as at 1 August 2019	173,900

* The weighted average incremental borrowing rates were arranging from 12.31% to 12.86%.

3. ADOPTION OF NEW AND REVISED HKFRSs (CONTINUED)

(iv) Impacts on the unaudited condensed consolidated financial statements (Continued)

Under the transition methods chosen, the Group has adopted the modified retrospective approach to recognise cumulative effect of the initial application of HKFRS 16 as an adjustment to the opening balance as at 1 August 2019. Comparative information is not restated. Line items that were not affected by the changes have not been included in the following table. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The following table gives a summary of the opening balance adjustments recognised for the line items in the unaudited condensed consolidated statement of financial position that have been impacted by HKFRS 16:

	As at 31 July 2019, in accordance with HKAS 17 HK$'000 (Audited)	Impact of initial application of HKFRS 16 HK$'000 (Unaudited)	As at 1 August 2019, in accordance with HKFRS 16 HK$'000 (Unaudited)
Right-of-use assets	—	109,298	109,298
Finance lease receivables	—	51,820	51,820
Total non-current assets	**16,529**	**161,118**	**177,647**
Finance lease receivables	—	21,436	21,436
Prepayments, deposits paid and other receivables	20,487	(4,577)	15,910
Total current assets	**125,417**	**16,859**	**142,276**
Lease liabilities	—	(39,443)	(39,443)
Trade and other payables	(52,654)	453	(52,201)
Total current liabilities	**(56,057)**	**(38,990)**	**(95,047)**
Lease liabilities	—	(129,880)	(129,880)
Total non-current liabilities	**(12,917)**	**(129,880)**	**(142,797)**
Reserves	(69,723)	(9,107)	(78,830)
Total equity	**(72,972)**	**(9,107)**	**(82,079)**

4. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents revenue from provision of contracting, interior design services and decoration works, and property sub-leasing and management service in the ordinary course of business. Revenue recognised during the three months ended 31 October 2019 and 2018 are as follows:

	Three months ended 31 October	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Revenue from property sub-leasing:		
Gross rental income	**10,637**	–
Net income from sub-leasing right-to-use assets	**3,327**	–
Revenue from contracts with customers within scope of HKFRS 15, types of goods or services:		
Contracting	**3,620**	3,502
Interior design and decoration work	**15,371**	1,308
Property management fee income	**1,967**	–
	34,922	4,810

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

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

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

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

5. COST OF SALES

	Three months ended 31 October	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Amortisation of intangible assets	**88**	—
Depreciation of property, plant and equipment	**319**	—
Depreciation of right-to-use assets	**7,710**	—
Direct materials	**833**	199
Staff costs	**986**	—
Expenses relating to short-term leases	**1,407**	—
Property management fee expense	**1,326**	—
Sub-contracting costs recognised as an expense	**12,300**	4,081
Other expenses	**626**	7
	25,595	4,287

6. INCOME TAX EXPENSE

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

The PRC Enterprise Income Tax (the "**EIT**") is calculated at the rate of 25% prevailing in the PRC jurisdiction for the Relevant Period. No PRC EIT has been provided for the three months ended 31 October 2018 as the Group was not subject to any income tax in the PRC. Provision for Hong Kong Profits Tax has been provided at the rate of 8.25% or 16.5% (for the three months ended 31 October 2018: 8.25% or 16.5%) on the estimated assessable profits arising in Hong Kong during the Relevant Period.

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

6. INCOME TAX EXPENSE (CONTINUED)

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

	Three months ended 31 October	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current — Hong Kong		
Charge for the Relevant Period	**—**	—
Current — PRC		
Charge for the Relevant Period	**1,332**	—
Deferred tax	**(22)**	—
Income tax expense	**1,310**	—

7. DIVIDEND

The Board did not recommend the payment of dividend for the Relevant Period (for the three months ended 31 October 2018: Nil).

8. EARNINGS/(LOSS) PER SHARE

The calculations of basic earnings/(loss) per share for the three months ended 31 October 2019 and 2018 are based on the followings:

	Three months ended 31 October	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to owners of the Company for the purpose of basic and diluted earnings/(loss) per share	**573**	(6,296)
	'000	'000
Weighted average number of ordinary shares in issue for the purpose of basic and diluted earnings/(loss) per share	**411,200**	411,200

No diluted earnings/(loss) per share was presented as there was no potential ordinary shares in issue during the Relevant Period (for the three months ended 31 October 2018: Nil).

BUSINESS REVIEW AND OUTLOOK

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

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

1. Sub-leasing business segment

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

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

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

(a) Sub-leasing of premises

Sub-leasing of premises involves provision of small scale (between 100 m^2 to 500 m^2) subdivided office premises at grade A commercial buildings with stylish decoration at affordable price embedding co-use/sharing concept. Target customers are entrepreneurs, start-up business and small scale companies. As at 31 October 2019, the Group leased 5 large scale properties at Futian (福田), Nanshan (南山) and Baoan (寶安) districts of Shenzhen with total floor area of approximately 26,702 m^2. Majority of the partitioned sub-leasing projects are equipped with centralised medium to large scale conference rooms housing 20 to 180 participants, for the co-use of sub-tenants. Sub-tenants have access to all the conference rooms managed by the Group with pre-appointment.

* *For identification purpose only*

(b) *Sub-leasing management*

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

As at 31 October 2019, the Group's sub-leasing management services cover three cities, namely Shenzhen, Beijing, Shanghai and 13 other provinces of the PRC, namely Guangdong (廣東), Guangxi (廣西), Jiangxi (江西), Hunan (湖南), Hubei (湖北), Hainan (海南), Hebei (河北), Fujian (福建), Jilin (吉林), Shangdong (山東), Sichuan (四川), Ningxia (寧夏) and Inner Mongolia (內蒙古), with total floor areas of approximately 53,092 m^2.

(c) *Co-work space*

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

(i) rental of office space or dedicated desks;

(ii) rental of private office room/booth;

(iii) conference rooms; and

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

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

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

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

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

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

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

2. Interior design and decoration business segment

Hong Kong

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

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

Although this business segment in Hong Kong only recorded revenue of approximately HK$1.3 million for the three months ended 31 October 2018, it had a remarkable growth during the three months ended 31 October 2019 as the Group was able to secure more contracts via the effort of its management team.

The PRC

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

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

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

3. Original Businesses

In order to secure new contracts for the Original Businesses notwithstanding the sluggish condition in Hong Kong construction industry, the Group has adopted a more aggressive approach in seeking new contracts which including but not limited to relaxing payment terms of its contracts so as to increase its competitiveness. For the three months ended 31 October 2019, the Company has engaged in tender or request for quotation for 5 projects with approximately total contract sum HK$90.4 million.

The Group appointed Mr. So, who has over 30 years of experience in the civil engineering industry, as the chief operating officer of the Group in February 2019 and he is responsible for overseeing and developing the Group's civil engineering projects. Mr. Yeung, on the other hand, is primarily responsible for overseeing the Interior Design and Decoration Business. He will also refer civil engineering contracting works to the Group, if available. Also, the Board has decided that for those contracts sourced by the Group's own effort in Hong Kong, the Group will perform such contracts via KSL Engineering Limited, its wholly-owned subsidiary in Hong Kong whereas those contracts sourced by Mr. Yeung, one of the chief operating officers of the Group and the ultimate beneficial owner of the remaining 49% shares in NBE, will be continue to be handled by NBE. KSL Engineering Limited was incorporated in 2009 and has been one of the operating subsidiaries of the Company prior to the listing of the Company on GEM.

OUTLOOK

The Board has resolved to focus the Group's business on the aforesaid three business segments at its meeting held in February 2019 and the Board believes that these three business segments, namely, (i) the Original Business; (ii) interior design and decoration; and (iii) sub-leasing, are the three pillars supporting the 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 2019 proves that the Group is on the right track as its revenue and gross profit have substantially increased. Since the Group has developed multiple business lines which are complementary to each other and thus no longer solely rely on the Original Businesses, the fast-growing sub-leasing as well as the interior design and decoration businesses do not only provide stable source of revenue to the Group and improve the Group's profitability, but also diversify the overall business risk of the Group. Expansion of the Group's business to the PRC also allows the Group to maintain its growth momentum and reduce its reliance on a single market especially in view of the current adverse market condition in Hong Kong.

Looking forward, the Directors will continue to develop the Group's existing businesses in Hong Kong while at the same time continue its expansion in the PRC. The Group is under negotiation with an independent third parties to lease a property in Beijing with total floor area of approximately 7,000 m^2. Furthermore, the Directors are optimistic on the development of the Original Businesses as the HKSAR Government has implemented different policies such as "Long Term Housing Strategies" and "Lantau Tomorrow" in the Chief Executive's 2018 Policy Address on 10 October 2018, which will revitalise Hong Kong's construction engineering industry. In addition, one of the major property developers in Hong Kong recently announced that it would donate 3 million square feet of farmland to The Government of the Hong Kong Special Administrative Region and toward charity for building public homes. This will in turn benefit the civil engineering industry in Hong Kong which the Board believes would be positive to the future business performance of the Group. The Group and the management team are determined to intensify their effort during the year and afterward so that the Group can continue to thrive.

FINANCIAL REVIEW

Revenue

Our revenue increased from approximately HK$4.8 million for the three months ended 31 October 2018 to approximately HK$34.9 million for the Relevant Period, representing an increase of approximately 627.1%. Such increase was mainly due to the increase in revenue derived from the sub-leasing as well as interior design services and decoration businesses.

Cost of Sales

Our cost of sales increased from approximately HK$4.3 million for the three months ended 31 October 2018 to approximately HK$25.6 million for the Relevant Period, representing an increase of approximately 495.3%. Such increase was in line with the increase in revenue of the Group. The major cost items of the Group include sub-contracting charge, rental expenses and material cost etc. as well as lease payment under operating lease.

Gross Profit

Our gross profit increased from approximately HK$523,000 for the three months ended 31 October 2018 to approximately HK$9.3 million for the Relevant Period, representing an increase of approximately 1,678.2%, as a result of the substantial increase in our revenue as discussed above.

Other Income

Our other income increase by approximately HK$3 million from approximately HK$102,000 for the three months ended 31 October 2018 to approximately HK$3.1 million for the Relevant Period. Such increase was mainly due to the interest income incurred from financial lease receivables of HK$2.4 million for the Relevant Period.

Administrative and Other Operating Expenses

Our administrative and other operating expenses amounted to approximately HK$4.5 million and HK$5.6 million for the three months ended 31 October 2018 and 2019 respectively, representing an increase of approximately 24.4%. Such increase was primarily due to the additional professional of fee of HK$1.0 million incurred by the Group in attending to the queries of the Stock Exchange on maintaining the listing status of the Company.

Profit/(Loss) for the Relevant Period

As a results of the aforesaid, the business of the Group turnaround and record a profit of approximately HK$751,000 for the three months ended 31 October 2019 from a loss of approximately HK$3.8 million for the same period last year.

Dividend

The Board does not recommend the payment of dividend for the Relevant Period (Three months ended 31 October 2018: Nil).

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

On 11 October 2019, Mr. Lin Ye (“**Mr. Lin**”) 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 secure and 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).

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; and (iii) solely for the purpose of financing the Company’s potential acquisition of an office premises in Hong Kong and its related expenses.

As at 31 October 2019 and up to the date of this report, the Company did not acquire any office premises in Hong Kong as its principal place of business.

DISCLOSURE OF INTERESTS

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

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

Long positions in the Shares

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

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 for the purposes of the SFO.

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

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

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

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

Notes:

1. Interests in Shares stated above represent long positions.

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

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

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

COMPETITION AND CONFLICT OF INTEREST

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

PURCHASE, SALES 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 of appointment of a suitable candidate to perform the role of chief executive. Appointment will be made to fill the chief executive post to comply with code provision A.2.1 of the Code if necessary.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

SHARE OPTION SCHEME

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

No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 31 October 2019.

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 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 1 November 2019, 2 August 2019, 29 July 2019, 10 May 2019 and 3 May 2019 respectively.

EVENTS AFTER THE RELEVANT PERIOD

Save that 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, the Directors are not aware of any other significant event requiring disclosure that has taken place subsequent to 31 October 2019 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, 12 December 2019

As at the date of this report, the executive Directors are Mr. Lin Ye, Mr. Au Siu Chung, Mr. Long Jie, Mr. Yuan Shuang Shun 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.