CHINA ALL NATION INTERNATIONAL HOLDINGS GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8170

2021/22

ANNUAL REPORT

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

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

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

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

CONTENTS

BOARD OF DIRECTORS

Executive Directors:

Mr. Lin Ye *(Chairman)*
Mr. Au Siu Chung *(Compliance Officer)*
Ms. Xiao Yi Liao Ge
Mr. Guo Junsheng
(appointed on 17 December 2021 and resigned with effect from 1 January 2022)
Mr. Liu Guofei
(Co-Chairperson and Chief Executive Officer)
(appointed on 27 May 2022 and resigned with effect from 19 August 2022)
Ms. Li Lin
(appointed on 27 May 2022 and resigned with effect from 19 August 2022)

Independent Non-executive Directors:

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

LEGAL COMPLIANCE COMMITTEE

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

COMPANY SECRETARY

Ms. Lung Yuet Kwan

AUTHORISED REPRESENTATIVES

Mr. Au Siu Chung
Mr. Lin Ye

INDEPENDENT AUDITOR

Moore Stephens CPA Limited
Certified Public Accountants and Registered Public Interest Entity Auditor
801–806 Silvercord, Tower 1
30 Canton Road, Tsimshatsui
Kowloon, Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Windward 3
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PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2918, 29/F.
Shui On Centre
No. 6-8 Harbour Road
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

CORPORATE INFORMATION

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

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

DBS Bank (Hong Kong) Limited
G/F., The Center, 99 Queen's Road Central
Central, Hong Kong

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

COMPANY WEBSITE

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

STOCK CODE

08170

Dear Shareholders,

On behalf of the board (the "**Board**") of directors ("**Directors**") of China All Nation International Holdings Group Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present the annual report of the Group for the year ended 31 July 2022.

2022 has been a challenging year, serious outbreak of COVID-19 in Hong Kong, the People's Republic China (the "**PRC**") government's lockdown measures to tackle the COVID-19 pandemic and geopolitical conflict around the world has obstructed the Group's overall business development. Because of that, during the year ended 31 July 2022, the Group recorded a revenue of approximately HK$123.0 million which represented a decrease of 26.3% as compared to a revenue of approximately HK$166.9 million for year ended 31 July 2021.

We faced challenges in 2022, and these challenges are reflected in our profit margins. However, the Company will continue to be cautiously optimistic about the medium-term future. With the implementation of a series of economic stimulus policies by the central government, the overall economic environment in the PRC will be recover steadily. The Group will thus leverage its strength by focusing on developing its property sub-leasing and management services segment as its revenue and profit engine. Recently, the Group as tenant entered into a tenancy agreement in respect of the leasing of a seven-storey building for a term of five years. It represents a strategic move of the Company in furtherance of the sub-leasing of premises limb of the subleasing business segment of the Group.

Looking ahead, the economy environment in the world remains uncertain and challenging. However, the Group will continue to focus on the PRC market. The Group is also taking proactive measures and making active responses in an effort to actively diversify or expand our business scope so as to enhance the return of the Group as well as create greater value for our shareholders and investors.

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

Lin Ye
Chairman and executive Director

Hong Kong, 21 October 2022

BUSINESS REVIEW AND OUTLOOK

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

During the year, the COVID-19 pandemic and the severe political tension between the PRC and United States still disrupted normal economic activity around the world. With the new wave of COVID-19 pandemic spreading in the PRC in the second half of the financial year, the PRC government implemented various prevention and control measures throughout the country, particularly the lockdown of various major cities. The Group's overall business activities and its operating environments were inevitably affected to a large extent. The Group has thus taken appropriate strategies rapidly to cope with the challenging environments.

1. Property sub-leasing and management services business segment

The property sub-leasing and management service business segment is operated by Shenzhen Zhongshenguotou Assets Management Co., Ltd* (深圳中深國投資產管理有限公司) ("**ZSGT**"), a wholly-owned subsidiary of the Company in the PRC. One of the principal business of ZSGT is sub-leasing office premises to different clientele in three categories below:

(a) Sub-leasing of premises

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

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

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

* *For identification purpose only*

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

As at the 31 July 2022, the Group leased 6 large scale properties in the PRC, of which 5 are situated at Nanshan (南山) and Baoan (寶安) districts of Shenzhen; 1 property is located in Beijing, with total floor area of approximately 20,935 square meters ("**sq.m.**") (2021: 33,999 sq.m.) for its operation of sub-leasing to sub-tenants. The occupancy rate of the Group's sub-leased properties reached over 86% (2021: 92%) as at 31 July 2022.

(b) Sub-leasing management

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

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

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

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

As at 31 July 2022, the Group's sub-leasing management services cover 2 cities, namely Shenzhen and Shanghai, and 18 other provinces of the PRC, namely Guangdong, Guangxi, Jiangxi, Hunan, Hubei, Hainan, Hebei, Fujian, Jilin, Shandong, Sichuan, Ningxia, Inner Mongolia, Henan, Gansu, Shaanxi, Jiangsu and Zhejiang with total floor areas of approximately 58,430 sq.m. (2021: 67,812 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.

During 2021, ZSGT had continued to expand the leasing business as the economy in the PRC still recorded a substantial boost. However, such expansion plans had been slow down in the second half of the financial year since persisting impact of the ongoing COVID-19 pandemic had affected the property sub-leasing market seriously. As the market environment had been alternated between the first and second half of the financial year, large number of tenants ceased their business since the second half of the financial year. As a result, significant amount of lease contracts had been early terminated during the second quarter of 2022. Nevertheless, ZSGT generated revenue for property sub-leasing and management service of appropriately HK$101.6 million which represented an increase of 5.5% as compared to last year (2021: approximately HK96.4 million).

As majority of the sub-tenants' leases with the Group are for a term of 2–3 years and the decrease of tenant is only in the short term, the Group considers that the sub-leasing business will continue to provide stable source of revenue to the Group in the future.

2. Interior design and decoration business segment

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

The Group's interior design and decoration business segment, is operated by wholly-owned subsidiaries of the Company, KSL Engineering Limited ("**KSL**") and ZSGT in Hong Kong and the PRC respectively. They generated revenue of approximately HK$15.2 million which represented a decrease of 73.5% as compared to last year (2021: approximately HK$57.4 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 which all resulted in trimming down profit margins. With the lockdown in several major cities due to the repeated COVID-19 pandemic, most of the interior design and decoration projects were required to be postponed and suspended. As a result, the overall revenue of this business segment had been significant drop.

Looking forward, the overall markets in the PRC and Hong Kong are expected to recover gradually. It is anticipated that the central government will continue to introduce favourable policies for the stable development of the property market and thus boost the demand of interior design and decoration business.

3. Contracting segment

The contracting of the Group are operated by KSL, the revenue has decreased by 91.5% from approximately HK$8.2 million in the year ended 31 July 2021 to approximately HK$0.7 million in the year ended 31 July 2022. In order to secure new contracts for the contracting 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 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.

During the year, the commodity trading business record revenue of approximately HK$5.5 million which represented an increase of 12.4% as compared to last year (2021: approximately HK$4.9 million). The increment is mainly contributed by the stable trading environment in the first half of financial year. As the PRC was pursuing a strict stance on COVID-19 measure in different major cities at the beginning of 2022, there were uncertainties in the transportation logistics as well as the demand of the commodity. As a result, the commodity trading business was slowed down in the second half of the financial year. Nevertheless, the operation of the commodity trading business will gradually restore to normal when the pandemic come steadily under control. Since the Group has built up a management team with relevant commodities trading experience and accumulated customer base, the Group will keep on the commodity trading business and explore for the self-operated commodity trading business at the same time. It is thus expected that the commodity trading business still bring economic benefits to the Group in the future.

OUTLOOK

At the beginning of 2022, the outbreak of COVID-19 not being under control and the ongoing Russia-Ukraine conflict and tense China-US trade relations brought uncertainties to the global economic recovery and the trade development. Over the short term, the overall business environment remains challenging. The aggravation of the inflationary pressures, decline in consumer spending, interest rate hikes, supply-side disruptions as well as adverse market sentiment will be the major challenges to the Group.

The Group will remain prudent in the short run and be optimistic in the long run. With the implementation of a series of economic stimulus policies by the central government, the overall economic environment in the PRC will recover steadily. Besides, small and medium-sized enterprises and individuals will be the economic drivers of the recovery for the market. The Group will thus leverage its strength and seize the opportunity and focus on the property sub-leasing and management services segment as its revenue and profit engine.

The Group will continue to make good progress in restructuring our businesses in an effort to build a long-term sustainable business portfolio as well as to enlarge its earnings base in the interests of the Group's shareholders as a whole.

* *For identification purpose only*

FINANCIAL REVIEW

Revenue and Segment Information

During the year ended 31 July 2022, the Group's total revenue has decreased by 26.3% to approximately HK$123.0 million (2021: approximately HK$166.9 million). This change was comprised of:

(i) decrease in revenue of the Group's interior design and decoration business by 73.5% to approximately HK$15.2 million (2021: approximately HK$57.4 million);

(ii) increase in revenue of the Group's property sub-leasing and management business in the PRC by 5.5% to approximately HK$101.6 million (2021: approximately HK$96.4 million); and

(iii) increase in revenue of the Group's commodity trading business in the PRC to approximately HK$5.5 million (2021: approximately HK$4.9 million).

Cost of Services

In line with the decrease in revenue of the Group, cost of services of the Group for the year ended 31 July 2022 decreased to approximately HK$79.1 million, representing a decrease of 31.5% (2021: approximately HK$115.5 million). The major cost items of the Group include sub-contracting charge, depreciation of investment properties and material cost as well as lease payment under operating lease.

Gross Profit

During the year ended 31 July 2022, gross profit of the Group has decreased by 14.5% to approximately HK$43.9 million (2021: approximately HK$51.3 million) with gross profit margin of 35.7% (2021: 30.8%). The gross profit margin of the Group remains steady.

Other Income and Gains

During the year ended 31 July 2022, the Group's other income and gains decreased by 13.2% to approximately HK$7.4 million (2021: approximately HK$8.6 million). The major reason for the change was because of the decrease of the gain on disposal of subsidiary of approximately HK$1.3 million.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses increased by 5.9% to approximately HK$19.1 million during the financial year ended 31 July 2022 (2021: approximately HK$18.0 million).

Expected credit loss allowance on trade receivables, contract assets and finance lease receivables

The expected credit loss allowance on trade receivables, contract assets and finance lease receivables increased significantly to approximately HK$9.0 million for the year ended 31 July 2022 (2021: a reversal of credit loss allowance of approximately HK$0.1 million). The increase was mainly due to the increased uncertainty on settlement from clients, especially for those finance lease receivables derived from the significant amount of lease contracts which were highly likely to be terminated prior to the maturity of lease contract during the second half of 2022 due to the adverse market environment caused by the ongoing COVID-19.

Income Tax Expense

Since the Group had incurred losses in Hong Kong for current year, no profits tax was charged for the year ended 31 July 2022 (2021: Nil) despite the profitability of its contracting businesses segment and interior design and decoration business segment in Hong Kong in the year ended 31 July 2021.

EIT of approximately HK$6.3 million is payable by the Group in the PRC due to the profitability of its operations in the PRC.

After inclusion of the impact of deferred tax of approximately HK$1.3 million, the total income tax expense of the Group for the year ended 31 July 2022 was approximately HK$5.0 million (2021: approximately HK$7.7 million).

Profit before Income Tax and Profit for the Year

The Group recorded a profit before income tax of approximately HK$9.2 million for the year ended 31 July 2022, representing an decrease of 62.6%, as compared to a profit before income tax of approximately HK$24.7 million for the corresponding period in 2021.

The business of the Group recorded a profit after tax of approximately HK$4.2 million for the year ended 31 July 2022, representing an decrease of 75.3%, as compared to a profit after tax of approximately HK$17.0 million for the year ended 31 July 2021.

The Company recorded a profit attributable to the owners of the Company of approximately HK$4.2 million for the year ended 31 July 2022 as compared to a profit attributable to the owners of the Company in the amount of approximately HK$17.1 million for the year ended 31 July 2021.

Final Dividend

The Board did not recommend the payment of a final dividend for the year ended 31 July 2022 (2021: Nil).

Liquidity and Financial Resources

The Group maintained a healthy financial position in the year ended 31 July 2022. As at 31 July 2022, the Group had cash and cash equivalent of approximately HK$59.3 million (2021: approximately HK$112.8 million).

The current ratio as at 31 July 2022 was 2.2 (2021: 1.7).

Gearing Ratio

The gearing ratio of the Group as at 31 July 2022 was Nil (2021: 11.9%).

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

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 July 2022. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Pledge of Assets

As at 31 July 2022, the Group did not have any charges on its assets (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 year ended 31 July 2022. Nevertheless, the management will continue to monitor the Group's foreign exchange exposure and will take prudent measures as and when appropriate.

Capital Structure

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

As at 31 July 2022, the share capital and equity attributable to owners of the Company amounted to approximately HK$4.1 million and HK$123.2 million respectively (2021: approximately HK$4.1 million and HK$122.3 million respectively).

Capital Commitments

The registered capital of Shenzhen Fuqingyuan Technology Limited ("**Fuqingyuan**") is RMB5.0 million. The Group committed as at 31 July 2021 to invest in Fuqingyuan, a wholly-owned subsidiary, amounting to RMB5.0 million (equivalent to approximately HK$6.0 million). The capital injection was paid during the year ended 31 July 2022.

Application of the Net Proceeds of the Placing

As at 31 July 2022, the Company had utilised in aggregate of approximately HK$14,981,000 out of the total net proceeds of approximately HK$22,200,000 (the "**Proceeds**") derived from the Company's placing in 2014. The Proceeds have been applied in accordance with the intended uses as previously disclosed in the Company's prospectus dated 28 November 2014 and the announcement dated 4 December 2018.

As the Company has been cautiously monitoring its costs and expenses, the actual amount used in the applications of the Proceeds was less than the budgeted amount of the Proceeds. Details of the actual application of the Proceeds during the year ended 31 July 2022 are as follows:

Intended uses of the Proceeds	Planned use of the Proceeds HK$ (approximately)	Actual use of the Proceeds up to 31 July 2022 HK$ (approximately)	Actual use of the Proceeds for the year ended 31 July 2022 HK$ (approximately)
(1) Further developing the contracting business of the Company	15,000,000	8,070,000	–
(2) Strengthening in-house team of engineering staff of the Company	5,000,000	2,064,000	–
(3) Developing more efficient in-house computer programs of the Company	2,000,000	847,000	–
(4) General working capital	–	4,000,000	–
Total	**22,000,000**	**14,981,000**	–

As at 31 July 2022, the unutilised Proceeds amounted to approximately HK$7,019,000. The Company intends to apply the said unutilised Proceeds for development of the Company's property sub-leasing and management services business in the PRC.

Human Resources Management

As at 31 July 2022, the Group had 34 (2021: 61) employees, including the Directors. The Group's total staff costs (including Directors' emoluments) for the year ended 31 July 2022 was maintained at approximately HK$10.0 million (2021: approximately HK$9.6 million).

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

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

Significant Investments Held

Except for investment in its subsidiaries, the Group did not hold any significant investment in equity interest in any other company as at 31 July 2022.

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 year ended 31 July 2022.

Contingent Liabilities

The Group did not have any other material contingent liabilities as at 31 July 2022 (2021: Nil).

Future Plans for Material Investments or Capital Assets

For the year ended 31 July 2022, 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 considered 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, the EBITDA of the Group for the year ended 31 July 2021, which amounted to approximately HK$88.0 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 2021 being not less than HK$13,800,000) (the "**2021 Profit Guarantee**"). Accordingly, there will not be any compensation made by Mr. Lin to the Company for any shortfall of the 2021 Profit Guarantee. The cheque placed by Mr. Lin with the Company's solicitors in escrow to secure the Profit Guarantee had been returned to Mr. Lin.

As of 27 January 2022, the Group repaid the remaining portion of HK$15,000,000 (equivalent to approximately RMB12,178,500) to Mr. Lin.

EXECUTIVE DIRECTORS

Mr. LIN Ye (林燁), aged 58, was appointed as the chairman of the Board and an executive Director on 12 October 2018. Mr. Lin has extensive experience in corporate strategic planning, corporate team building and cooperation, resources integration and launching projects. From 2006 to 2015, Mr. Lin served as a general manager of Shenzhen Gutejia Rubber Products Co., Limited* (深圳市固特佳橡膠製品有限公司) in which he was responsible for implementing internal regulations and procedures in relation to human resources management as well as monitoring corporate investment and financing activities. Since 2015, Mr. Lin has served as a general manager of Shenzhen Qianli Junma Supply Chain Technology Co., Limited* (深圳市千里駿馬供應鏈科技有限公司) in which he was responsible for supervising investment projects and implementing investment strategies.

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

Mr. AU Siu Chung (歐兆聰) ("Mr. Au"), aged 39, was appointed as an executive Director on 23 June 2017. He holds a bachelor of economics degree from the Chinese University of Hong Kong and a master degree of Science in Corporate Governance and Compliance from the Hong Kong Baptist University. Mr. Au is an associate member of the Hong Kong Chartered Governance Institute and an associate member of The Chartered Governance Institute. From July 2015 to February 2016, he worked as a key account manager at Leadway Production Company Limited. Since February 2016, Mr. Au has been working as an accounting and administration manager at Sky Planner Limited, a subsidiary of the Company.

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

Ms. XIAO Yi Liao Ge (肖怡廖閣) ("Ms. Xiao"), aged 27, was appointed as an executive Director on 26 January 2018. She obtained a bachelor degree of Art from Hubei Institute of Fine Arts (HIFA) (湖北美術學院) in 2017. Prior to joining the Group, Ms. Xiao worked as an eSports propagandist at Wuhan Blizzard Media Co., Ltd* (武漢暴風雪傳媒有限公司) from November 2015 to March 2016. Ms. Xiao has been appointed as the vice president at Shenzhen Yi Lan Kang Trading Co., Ltd* (深圳市溢藍康貿易有限公司) since 2016 and is responsible for domestic and export trade. Ms. Xiao has extensive experience in domestic and export trade, drawing and designing brand images for outsourcers. Ms. Xiao is a daughter in law of Mr. Lin.

* *For identification purpose only*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. KWONG Ka Ki (鄺嘉琪) ("Ms. Kwong"), aged 41, was appointed as an independent non-executive Director on 15 March 2016. She holds a bachelor of arts (Hon) degree in accounting and finance from the Leeds Metropolitan University and a Master Degree in Corporate Governance from The Hong Kong Polytechnic University. Ms. Kwong is a fellow member of The Association of Chartered Certified Accountants, practising member of the Hong Kong Institute of Certified Public Accountants, an associate member of The Hong Kong Chartered Governance Institute and an associate member of The Chartered Governance Institute. Ms. Kwong has over 18 years of experience in auditing, tax, professional accounting and internal control review of licensed brokers. Ms. Kwong was an independent non-executive director of China Financial Leasing Group Limited (stock code: 2312), the shares of which are listed on the Stock Exchange, from January 2014 to June 2014. Ms. Kwong was also an independent non-executive director of Tonking New Energy Group Holdings Limited (formerly known as JC Group Holdings Limited) (stock code: 8326), the shares of which are listed on the GEM, from August 2014 to February 2015.

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

Mr. YU Hua Chang (余華昌) ("Mr. Yu"), aged 48, was appointed as an independent non-executive Director on 26 January 2018. He obtained a bachelor's degree from Nanchang College* (南昌高等專科學校) in 1995. Mr. Yu is currently a vice general manager at Shenzhen Peng Yuan Fa Labor Sending Ltd.* (深圳市鵬源發勞務派遣有限公司). Mr. Yu worked as a marketing specialist at Wing Fung Logistics Limited* (永豐物流有限公司) from August 1998 to March 2012 and as a general marketing manager at Ping An Property & Casualty Insurance Company of China, Ltd.* (中國平安財產保險股份有限公司) from April 2012 to April 2016. Mr. Yu has extensive experience in corporate communication and promoting corporate images to the public.

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

Ms. GUO Liying (郭麗英) ("Ms. Guo"), aged 42, was appointed as an independent non-executive Director on 21 May 2018. She obtained a bachelor's degree of International Economics and Trade from Shantou University (汕頭大學) in June 2003. Prior to joining the Group, Ms. Guo has worked in Guangdong Mobile Communications Co. Ltd* (廣東省移動通訊有限公司) and China Security Technology Co., Ltd* (中國安防技術有限公司). Since September 2014, she has been working as the chief executive officer of Shenzhen Qianhai SGT Capital Management Group Co., Ltd* (深圳前海深港通資本管理集團有限公司). Ms. Guo has extensive experience in project investment operation, enterprise management and marketing and sales.

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

* *For identification purpose only*

SENIOR MANAGEMENT

Mr. ZHANG Chen Zhi (張晨志) (“**Mr. Zhang**”), aged 42, was appointed as one of the chief operating officers of the Group on 30 December 2020. Mr. Zhang has more than 10 years of experiences in the interior design and construction industry in the PRC. From May 2000 to April 2008, Mr. Zhang worked in 東莞向龍塑膠製品有限公司 (Dongguan Xianglong Plastic Products Company Limited*) with his last position as chief branch officer. From April 2008 to October 2010, Mr. Zhang was a manager in 東莞弘發裝飾公司 (Dongguan Hongfa Decoration Company*), who was responsible for monitoring and management of the construction execution works. From March 2011 to March 2020, Mr. Zhang worked in 廣州美術裝飾有限公司南寧分公司 (Guangzhou Art Decoration Company Limited Nanning Branch*), with his last position as construction director. During this period, Mr. Zhang participated in numerous engineering and construction projects for hotels, luxurious houses and commercial buildings. Mr. Zhang joined the Group in April 2020 and since then served as the general manager of the interior design and decoration business of the Group in the PRC.

Mr. LUO Jia Shun (羅嘉順) (“Mr. Luo”), aged 46, was appointed as one of the chief operating officers of the Group on 11 June 2020. Mr. Luo has over 19 years of experience in the real estate industry in the PRC. From 2001 to April 2010, Mr. Luo was a sales director of Shenzhen International Real Estate Consulting Co., Ltd* (深圳國際房地產諮詢股份有限公司) and principally responsible for selling both new and second-hand real estate properties in the PRC. From May 2010 to March 2017, Mr. Luo was a department manager of Shenzhen Yunfang Network Technology Co., Ltd* (深圳市雲房網絡科技有限公司) and was principally responsible for leasing and sale and purchase of commercial real estates. From April 2017 to May 2020, Mr. Luo was a project deputy director of Xiamen Taicheng Group Company Limited* (廈門泰成集團有限公司) and was principally responsible for strategic development and operations management including lease renewal and property management, as well as the planning, development and promotion of different projects, including a commercial property project with six levels of commercial units and a total of 12,000 square meters.

* *For identification purpose only*

ABOUT THIS REPORT

China All Nation International Holdings Limited (hereinafter referred to as "**China All Nation**", the "**Company**" or along with its subsidiaries, the "**Group**") is delighted to present its yearly Environmental, Social and Governance ("**ESG**") report (the "**Report**"). This Report adheres to the "Mandatory Disclosure Requirements" and "Comply or Explain" provisions of the Environmental, Social and Governance Reporting Guide (the "**ESG Guide**") under Appendix 20 of the GEM Listing Rules on The Stock Exchange of Hong Kong Limited.

The aim of this Report is to communicate to stakeholders the Group's ESG performance and impact deriving from its main business segments, which include (i) the provision of contracting, project management and civil engineering consulting businesses in Hong Kong, (ii) property sub-leasing and management business in the PRC, as well as (iii) interior design services and decoration works in both Hong Kong and the PRC. The Group also operates in the commodity trading business in the PRC. However, this business segment is not covered in this Report as it is not financially material. Information from the commodity trading business shall be disclosed once it reaches a material threshold. Unless otherwise specified, this Report covers the financial year from 1 August 2021 to 31 July 2022 (the "**Reporting Period**").

All information is prepared and published based on existing policies, practices, and official internal documents in an accurate, impartial and transparent manner. This Report conforms to the following reporting principles:

Materiality	Upon review and confirmation from the Board, this Report is structured based on the materiality of respective ESG issues indicated and validated through a stakeholder engagement process and materiality assessment.
Quantitative	Key performance indicators ("**KPIs**") and quantitative information from two offices in Hong Kong and the PRC are disclosed in this Report. Social KPIs include both offices, whereas environmental KPIs are limited to the Hong Kong office as the PRC office is managed by a property management company, and access to such data may be restricted.
Balance	This Report provides an unbiased overview of the Group's ESG performance. Both achievements and areas of improvements are disclosed.
Consistency	The methodologies and KPIs used are consistent with previous reports, which allow for a meaningful comparison of ESG data over time.

We warmly welcome any feedback on this Report and our approach to sustainability. If you would like to share with us any comments or suggestions, please contact us via the following channels:

Post	Unit 2918, 29/F, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong
Telephone	(852) 3622–2953
Email	feedback@allnationinternational.com

COMPANY PROFILE

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

(i) Contracting

The Group operates as a contractor, consultant, and project manager for developers and contractors undertaking civil engineering and property development projects in Hong Kong. It specialises in geotechnical engineering works.

Contracting:

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

Engineering Consulting:

Develop cost-effective structural and geotechnical engineering designs as well as provide site supervision service for developers and contractors in private development and public work projects.

Project Management:

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

(ii) Property Sub-leasing and Management

In view of the growing number and demand of start-up and small-to-medium businesses in the PRC to move in the grade-A office premises to enhance its corporation image and gain creditability, the Group fully acquired ZSGT in November 2018. ZSGT, a wholly-owned subsidiary of the Company in the PRC, engages in the sub-leasing of premises, sub-leasing management, as well as operation of a co-work space.

Sub-leasing of Premises:

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

Sub-leasing Management:

Enter into head lease agreement with landlords for premises based on customer's specifications and then sublease that premises to the customers, which are enterprises that require national presence.

Co-work Space:

Operate one co-work space centre at a grade-A commercial building located at the focal development area for hi-tech and innovative businesses in Shenzhen, which offers the rental of office space, private office rooms and conference rooms in addition to auxiliary services.

(iii) Interior Design and Decoration

The Group's in-house design department engages in interior design and decoration services for private offices and residential properties, as well as other wide-ranging projects in Hong Kong and the PRC. The provided services also include the identification of suitable vendors and suppliers for providing resources and services relating to fire safety equipment, air-conditioning and mechanical ventilation system, interior fitting out, as well as electrical works amongst others.

(iv) Commodity Trading

The Group commenced its commodity trading business in March 2021 through its establishment of Guangzhou Desheng Technology Limited# (廣州市得昇科技有限公司), a wholly-owned subsidiary of the Company, in the PRC. The Group has employed a management team with relevant commodities trading experience for the operation and development of the commodity trading business, which is principally engaged in the sale of non-ferrous metals.

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During the Reporting Period, the Group generated a total revenue of approximately HK$123.0 million (2021: approximately HK$166.9 million) from the aforementioned business segments. The COVID-19 pandemic and severe political tension between China and US continued to disrupt normal economic activity around the world. Due to the PRC government's lockdown measures to tackle the COVID-19 pandemic, the Group's overall business activities and its operating environments were inevitably affected to a large extent. The Group will remain prudent in the short run and be optimistic in the long run.

Through the central government's implementation of a series of economic stimulus policies, the overall economic environment in China will recover steadily. As small and medium-sized enterprises as well as individuals will be the economic drivers of the recovery for the market, the Group will leverage its strength and seize this opportunity by focusing on developing its property sub-leasing and management services segment as its principal business.

Moving forward, the Group will continue to make good progress in restructuring its businesses to build a long-term sustainable business portfolio as well as enlarge its earnings base for the Group's shareholders.

OUR APPROACH TO SUSTAINABILITY

Sustainability is embraced at China All Nation, where its principles on sustainable development are rigorously upheld and practised during daily operations. The Directors adopts an all-encompassing and systematic management approach to collaborating with stakeholders to ensure growth is always achieved in a responsible manner. We endeavour to deliver positive economic, social and environmental value whilst influencing others to play their role in creating a truly sustainable future.

Sustainability Governance

The Board is responsible for overseeing and formulating the Group's ESG strategies, objectives and priorities to ensure that it is able to continuously fulfil its sustainability commitments. To facilitate robust ESG management and policy formulation, the Board also reviews and manages sustainability issues of the Group whilst monitoring its performance on ESG-related goals and targets. To further emphasise our dedication in placing sustainability at the core of our business, during the Reporting Period, eight Board members participated in an ESG reporting and governance training session.

Risk management is an important and indispensable facet of our daily operations. As such, we have a three-tier risk management and internal control system in place to evaluate all risks and opportunities, including ESG-related risks. All potential business risks are identified, assessed and managed in a prudent manner by the Group's business units and finance department, which serve as the first and second line of defence respectively. The Board together with the Audit Committee act as the final line of defence to ensure existing risk control procedures are effective through constant inspection and monitoring.

Sustainability Strategy

Formulating a sustainability strategy is fundamental for building a solid foundation and direction in order to pave the way for sustainable operations. The Group acknowledges that its impacts on the society and environment can be extensive due to its business activities in multiple sectors and territories. Thus, the Group strongly believes that there is a need to holistically intertwine internal with external value in order to achieve long-term success that transcends financial performance.

To firmly ingrain sustainability into our operations and articulate our direction, we have devised a coherent strategy based on three priority areas — Improving Our Business, Caring for Our People and Protecting Our Environment. These key strategic areas include core principles and individual objectives, which in turn assist with decision-making processes and the formulation as well as execution of feasible measures.

Improving Our Business

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

Caring for Our People

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

Protecting Our Environment

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

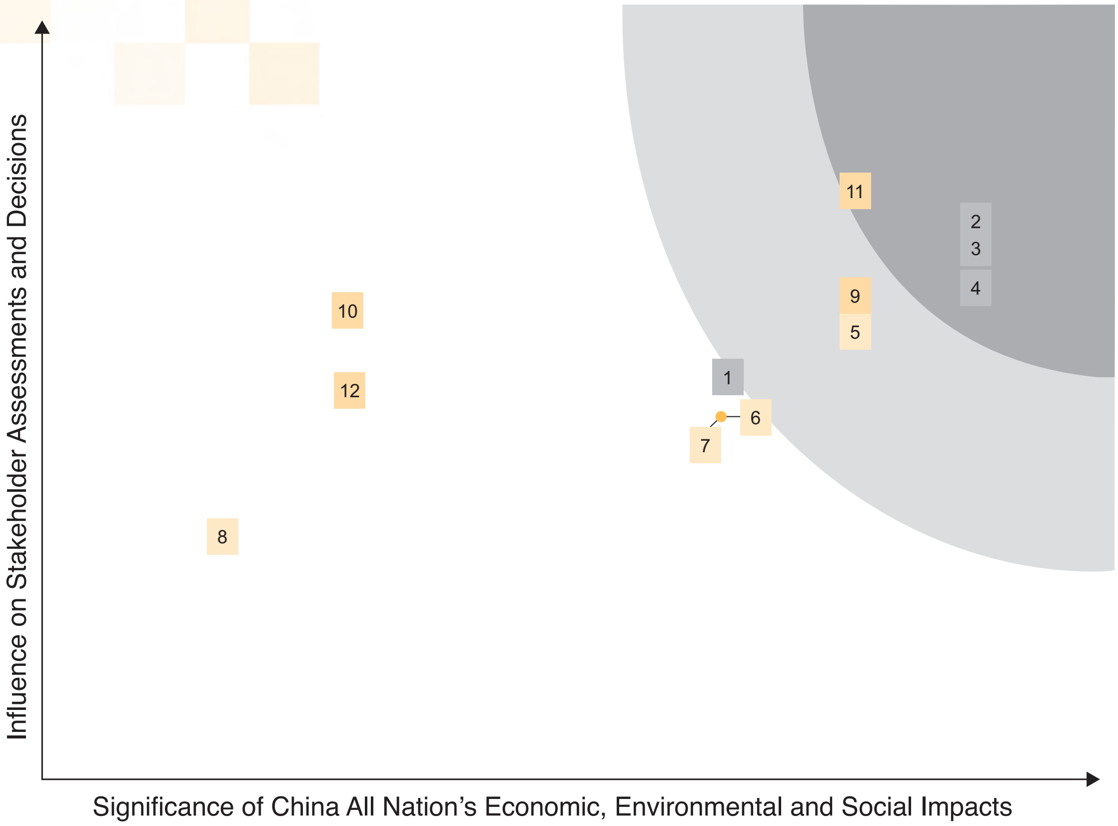
Stakeholder Engagement

China All Nation strives to nurture transparent, trustworthy and communicative relationships with its stakeholders and firmly believes that their interests and expectations are influential in its sustainable development journey. We aim to integrate the perspectives of our stakeholders into our strategic planning process to ensure that a balance between meeting stakeholders' priorities and fulfilling organisational goals is always achieved. During the Reporting Period, the following engagement channels were implemented to communicate with stakeholders:

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

Materiality Assessment

In 2020/21, we commissioned an independent sustainability consultancy to conduct a comprehensive stakeholder engagement exercise and materiality assessment. The processes involved identifying a list of ESG issues that are material to the Group, asking key stakeholder groups (the Board and senior management, general staff and customers) to rank the relative importance of the relevant ESG issues, and confirming as well as reviewing the list of material ESG issues for disclosure in the ESG report. In 2022, the Board and management reviewed the 12 previously identified material ESG issues and confirmed their applicability to the Reporting Period. The materiality matrix that illustrates the relative importance of ESG issues towards the Group's impacts on the economy, environment and society (represented by the Board and senior management) against the individual perceptions of stakeholders on each issue (represented by general staff and customers) can be found below.



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

The reporting structure for this Report is based on the average scores for the three aspects. It has been concluded that the reporting structure shall follow the order listed below, which aligns with the average scores calculated for each aspect.

01 Improving Our Business

02 Protecting Our Environment

03 Caring for Our People

IMPROVING OUR BUSINESS

As a consultant, contractor, project manager and sub-leasing agency, we are committed to improving our business to meet the diverse needs and expectations of our customers. To this end, we maintain and enforce strict requirements to continuously provide high-quality products and services, carry out business activities in an ethical manner, as well as stringently manage partners across the supply chain.

Product and Service Quality

As the Group manages multiple business lines, quality standards of products and services must be consistently achieved across its operations. To achieve this, we ensure that our provisions within contracting, interior design and decoration, as well as property sub-leasing are carried out with excellent craftsmanship. For our products, we adopt rigorous quality assurance and control procedures to demonstrate our quality-driven culture. For our services, we proactively engage with customers to understand their needs and aim to provide exemplary solutions that meet and exceed their expectations.

Contracting and Interior Design and Decoration

Since the Group outsources certain tasks to suitable subcontractors, we adopt a rigorous quality assurance process and enforce quality requirements for all subcontractors to follow. Subcontractors must adhere to said conditions to ensure that the quality of their works continuously meet our expectations and thus, safeguards the quality of our products.

Requirements for Subcontractors

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

In addition, the guidelines listed in our "Standard Conditions for Appointment of Subcontractors" state that the Group reserves the right to request subcontractors to carry out additional work or to mobilise additional resources to meet the target programme if there are any unexpected delays in the subcontractors' works. If their works are considered to be substandard and do not meet the requirements of the contract drawings and/or specification, the Group reserves the right to cancel the contract with the subcontractor in question and re-appoint a new subcontractor to complete the works. Subcontractors are also expected to exercise due diligence at all times by carrying out safe practices at construction sites and complying with all relevant local laws to uphold our continuous provision of responsible products, where they will be responsible for such losses incurred from any non-compliance.

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

Property Sub-leasing and Management

For its sub-leasing operations, the Group directly deals with landlords on behalf of sub-tenants to address any quality issues, and essentially provides a one-stop service. To strengthen quality assurance throughout the service, the Group has implemented multiple procedures to deliver a smooth experience for clients. We will firstly perform a feasibility study when sourcing potential properties for sub-leasing to identify the most suitable properties for our clients. During the feasibility study, a set of factors are taken into consideration to ensure that the properties are able to match potential clients' needs.

Factors Considered when Sourcing Properties for Sub-leasing

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

Prior to sub-leasing, we will conduct renovation and refurbishment works to enhance the aesthetic appeal, functionality, and facilities of the property, which form a key part of our quality assurance process. Additions and alteration works to properties are carried out by the Group's pre-approved network of contractors. To ensure that works are carried out in accordance with our quality and safety procedures, our customer services department will perform regular site inspections.

Finally, a range of value added services are offered by the Group to optimise the experience and satisfaction of clients, as well as enhance the overall quality of our sub-leased premises. These complementary services include but are not limited to repair and maintenance, renovation and refurbishment, consultation and execution on the regulatory requirement of fire control, security, company secretarial, and liaison on administrative matters.

Once the Group has concluded the head lease agreement and is responsible for managing the property, the marketing department will organise marketing activities and source sub-tenants by advertising the property on its self-operated online platforms, as well as on third-party websites specialising in property advertising. The Group will also reach out to past and existing sub-tenants in its database, as well as seek recommendations and referrals from business associates and property agents. Prospective sub-tenants are invited to view the unit to inspect the property's size, location, and facilities in addition to physical conditions. The rental rate will also be discussed with the sub-tenant at the time.

We endeavour to forge long-term relationships with our sub-tenants and continuously improve our services to meet their needs. During the Reporting Period, we did not receive any material complaints regarding our property sub-leasing and management services.

Business Conduct

China All Nation is committed to instilling an ethical corporate culture throughout its operations. To ensure that all business is conducted in an honest and transparent manner, the Group has systems in place to reinforce its moral stance on anti-corruption, labour standards and data privacy, as well as conscientiously communicating with subcontractors and business partners to embrace like-minded values.

Anti-corruption

The Group adopts ethical behaviour in its business activities. When undertaking duties on behalf of the Group, all employees are expected to demonstrate integrity as well as comply with relevant local laws and regulations, including but not limited to the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong) and Anti-Money Laundering Law of the PRC.

Our principles on upholding moral business conduct can be found in the Staff Handbook. Employees are strictly prohibited from accepting or soliciting any type of commission, rebate, spotter's fee, gratuity, loan, gift or favour from third parties that have business dealings with the Group without prior consent from the Board. Accepting or soliciting such benefits will result in disciplinary actions by the Group. Conflict of interests are also forbidden, where employees should consult their respective direct managers in case of any uncertainty. In addition, employees are required to confirm on an annual basis their understanding of our business conduct principles laid out in the Staff Handbook, as well as sign the "Company Code of Conduct".

To strengthen our business ethics, we have formulated a whistle-blowing policy that can be found in the Staff Handbook. The policy is designed to provide a convenient channel to ensure that employees can raise concerns without fear of reprisals, as well as enable a transparent and confidential process for dealing with such concerns. Employees should raise any concerns of malpractice to a senior member of staff or directly to the chairman of the Audit Committee if the concern is of a serious nature. The matter will be confidentially handled by the responsible officer, who will inform the whistle-blower with procedural details, carry out an investigation and then report to the Audit Committee. The Audit Committee, which is responsible for monitoring and implementing this whistle-blowing programme, will report the findings along with recommended corrective actions to the Board for their final approval.

Due to our robust procedures in monitoring the business conduct of our employees, during the Reporting Period, the Group was not aware of any non-compliance with relevant laws and regulations relating to bribery, extortion, fraud and money laundering, and there were no legal cases brought against the Group regarding corrupt practices.

Labour Standards

At China All Nation, we strictly prohibit any employment of child, forced or illegal labour within our operations. Prior to the hiring of all personnel, we will carefully examine their identification documents and carry out thorough background checks. If candidates are unable to provide the required documents, they will not be recruited.

For our contracting business segment, we have formulated a “Prevention From Employment of Illegal Immigrants Code” to ensure that all subcontractors comply with our requirements. The code specifies that workers who do not possess a valid working permit, identity card or other document issued by the respective authorities will be banned from entering the site. The security guard will examine these identification documents at the entrance whilst a patrol squad has been assigned to perform spot checks. Workers who cannot provide the relevant documents on request will be asked to leave the site immediately.

The subcontract that must be signed by subcontractors contains prohibitory clauses and conditions regarding the employment of illegal immigrants, which are required to be strictly adhered to. In the unlikely event that illegal workers are found to be on-site, they will be requested to leave at once. The subcontractors in charge of the site will be notified and held legally liable should a conviction arise.

During the Reporting Period, the Group was not aware of any non-compliance with relevant laws and regulations relating to preventing child and forced labour.

Data Privacy and Other Rights

The Group endeavours to protect the data and safeguard the privacy of its customers, as well as maintain compliance with relevant laws and regulations that include but are not limited to the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong). Employees are obligated to handle and process all information that is deemed as confidential with due care, where any unauthorised disclosures may lead to disciplinary or legal action.

We also respect the intellectual property rights that exist during our provision of interior design and decoration services. The creations of the mind, including copyrights, patents, trademarks, and trade secrets are highly preserved within our operations. Our design team collaborates closely with customers in tailor-making original designs according to their specifications and indication of interests. At least three designs are prepared and presented to our clients, which are further refined based on their comments.

During the Reporting Period, the Group was not aware of any non-compliance with relevant laws and regulations relating to customer data privacy and intellectual property rights.

Supply Chain Management

We exert great efforts to build strong, harmonious relationships with all partners across the supply chain. The Group acknowledges that it possesses a diverse supply chain network consisting of partners that provide various products and/or services. Thus, it adopts different approaches to ensure that its expectations are clearly understood and followed.

Contracting and Interior Design and Decoration

For the contracting and interior design and decoration business segments, health and safety is of paramount importance. Thus, we have created health and safety regulations that subcontractors must abide by, which can be found in our "Evaluation, Selection & Control of Subcontractors". Our subcontractors are obligated to safeguard the health and safety of their employees and other relevant parties, ensure the safety of their equipment and site, as well as observe our specified site safety rules. In addition, we have adopted a three-step engagement approach to continuously assess our subcontractor's health and safety standards, practices and performance.

Three-step Engagement Approach for Subcontractors:	
Step 1: Selection	• A formal assessment on their health and safety matters is conducted by the General Manager or Project Manager before subcontractors are selected to be eligible to tender for subcontract works. • Subcontractors must obtain 60% of the total score in the assessment form in order to qualify as an approved subcontractor. • The risk assessment and specific safety rules related to the subcontract work will be distributed to all relevant subcontractors.
Step 2: Evaluation	• After the selection procedure, the General Manager or Project Manager is in charge of carrying out an evaluation of the subcontractor's safety performance every six months.
Step 3: Management	• A subcontract meeting will be held with subcontractors before work commencement, where health and safety matters including the company safety policy, safety plan, emergency plan, risk assessment and method statement amongst others will be explained. • A Site Safety Committee Meeting will be held to facilitate further communication and coordination with subcontractors on health and safety topics. • To ensure compliance of health and safety requirements on-site, a Safety Warning Notice will be issued to subcontractors.

In addition to health and safety matters, our subcontractors are required to uphold ethical labour standards and respect the environment by maintaining compliance with environmental protection laws at all times. These provisions can be found in our "Standard Conditions for Appointment of Subcontractors".

To promote environmentally preferable services, we prefer to engage and collaborate with subcontractors who operate in accordance with ISO 14001 Environmental Management System. We have also created the "Subcontractors' Responsibilities on Environmental Issues" policy to address environmental risks, and ensure that our subcontractors proactively adopt best practices when carrying out construction works in order to minimise the environmental impact.

Environmental Aspects Requirements that Subcontractors Must Observe

- Air pollution
- Waste disposal
- Water pollution
- Noise control
- Waste reduction and resources efficiency

If subcontractors fail to comply with our specified environmental protection requirements or with environmental laws and regulations, they may be subject to an investigation, which may lead to a penalty.

Property Sub-leasing and Management

For the property sub-leasing and management business segment, the Group focuses on improving the market stability and mitigating corresponding risks in the supply chain. In general, the Group aims to sub-lease properties with relatively long lease terms, and thus build strong connections with landlords. This in turn enhances our overall ability to engage with landlords and sub-tenants who are primarily entrepreneurs, start-up businesses and small-to-medium enterprises. Our marketing department will conduct a market analysis to determine the latest leasing trends, as well as interact with landlords and sub-tenants to gain important insights. For further details of our engagement strategies and assessment criteria for business partners, please refer to the "Product and Service Quality" subsection under this section.

Once a potential property is identified, the Group will commence the lease negotiation process with the relevant landlords, and conduct an inspection on the property as well as prepare a sub-leasing proposal for their consideration. During the negotiation process, the general terms of lease will be discussed with the relevant landlords, which include the rental level, rent-free period, lease terms, and our intended use of the properties.

PROTECTING OUR ENVIRONMENT

China All Nation acknowledges that it has a responsibility to play its role in preserving natural resources and protecting the environment from irreversible damage. Thus, it pays significant attention to environmental conservation and mitigating its environmental impact, especially from construction activities. We endeavour to consume resources in a responsible manner, minimise environmental impact from our operations, and proactively formulate measures to address the implications of climate change.

Environmental Targets

In order to solidify our commitment to embracing environmental conservation and furthering our corporate sustainable development agenda, we formulated a series of targets in 2020/21 relating to our material environmental aspects of greenhouse gas ("**GHG**") emissions and energy for the back office in Hong Kong. We have monitored our progress in 2021/22 to allow us to identify opportunities, prioritise strategies and allocate resources to ensure we are on track to achieve our goals by the determined timeframe.

Environmental Target	Status	2021/22 Progress
GHG Emissions:		
• By 2023, reduce absolute GHG emissions (Scope 1 & 2) by 65%, compared to a 2018/19 baseline.	Achieved	An **86%** reduction has been attained.
Energy Consumption:		
• By 2023, make sure at least 30% of newly purchased electric appliances in offices are those with energy-saving labels.	On track	No new electric appliances have been purchased.
• By 2023, reduce absolute energy usage by 70%, compared to a 2018/19 baseline.	Achieved	An **89%** reduction has been attained.

To accelerate our environmental stewardship efforts, we have decided to establish a new series of targets relating to our material environmental aspects of GHG emissions and energy for the back office in Hong Kong in order to enhance our overall environmental performance. We shall continue to streamline our approach and future operations towards achieving these goals.

Aspect	Environmental Target
GHG Emissions	• By 2025, reduce absolute GHG emissions (Scope 2) by 24%, compared to a 2020/21 baseline.
Energy Consumption	• By 2025, make sure at least 30% of newly purchased electric appliances in offices are those with energy-saving labels. • By 2025, reduce energy usage intensity by revenue (MJ/HK$'million) by 5%, compared to a 2020/21 baseline.

Resource Consumption

Construction Sites

At construction sites, energy, water and construction materials form the majority of resource consumption. However, since the construction sites are operated and managed by subcontractors, the Group is not directly responsible for the usage of resources on-site. Nevertheless, we have created a set of guidelines for our subcontractors and employees to optimise resource usage, and ultimately instil a culture of proper resource management. During the Reporting Period, the Group did not encounter any issues in sourcing water that is fit for purpose.

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

Office

At the office in Hong Kong, our consumed resources are predominantly electricity and paper. We have created the following guidelines to manage and minimise our resource usage.

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

Environmental Impact

The Group is aware that it has a responsibility to mitigate emissions and corresponding environmental impact in its daily operations. To this end, we have complied with relevant laws and regulations that include but are not limited to the Air Pollution Control Ordinance (Cap. 311 of the Laws of Hong Kong) and Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong). During the Reporting Period, the Group was not aware of any non-compliance with relevant laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and the generation of hazardous and non-hazardous waste.

The Group's generation of GHG emissions is relatively limited. Our main source of GHG emissions is derived from purchased electricity, and we do not possess any machinery, equipment or vehicles that directly emit emissions. To enable us to develop a better understanding of our GHG emissions and overall environmental impact, we have commissioned an independent sustainability consultancy to accurately evaluate our emissions. The quantification methodology used is based on the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong" published by the Environmental Protection Department and the Electrical and Mechanical Services Department of Hong Kong, and the "Greenhouse Gas Protocol" developed by the World Resources Institute and World Business Council for Sustainable Development. The latest emission factors used are published by the respective utility companies.

Construction Sites

The environmental impact deriving from construction sites has the potential to be significant due to its business nature, where the generation of emissions, wastewater and waste is commonplace. To counter this, we work closely with clients to identify key environmental issues and help them to seek sustainable, innovative solutions whilst adopting eco-friendly designs in our own works. As specified in our "Environmental Operational Control" policy, we have also implemented guidelines for our subcontractors and employees to follow, which detail the adopted measures on-site to address and mitigate the material environmental impacts caused during operations, aiming to foster eco-friendly working practices. In addition, all subcontractors are required to possess the relevant licences or permits issued by regulatory authorities where appropriate to ensure all activities are carried out in accordance with local environmental laws and regulations.

Impact	Countermeasure
Air	• Install site hoarding, effective dust screens, sheeting and netting if necessary. • Establish suitable haul road routing and site entrances to minimise dust generation. • Cover stockpile materials by tarpaulin and shorten the storage time of materials on site. • Provide vehicle washing facilities at all site exits to wash away any dusty materials before leaving the site.
Noise	• Schedule construction activities within 7AM to 7PM on weekdays. • Install noise barriers or enclosures. • Operate noisy equipment and activities at a distance away from noise sensitive receivers. • Liaise with local communities to schedule a better arrangement of the noisy works.
Sewage	• Identify wastewater discharge points before commencement of works. • Provide suitable site drainage facilities such as temporary ditches and draining pipes to prevent discharge of surface runoff into foul sewers or storm drains. • Supply sedimentation tanks of sufficient capacity for treatment of effluent prior to the discharge. • Clean and remove the settled sediments in the site drainage system regularly or if necessary.

Solid Waste	**Non-construction Waste:** • Clean all work areas to remove general litter and refuse regularly. • Store general refuse and litter in enclosed bins or compaction units separate from construction or chemical waste. • Provide separately labelled bins to allow segregation of recyclable material whenever possible. **Construction Waste:** • Segregate, store, transport and dispose of separately whenever possible the different types of construction waste generated. • Provide separate containers for inert and non-inert wastes. • Implement a trip-ticket system for all construction and demolition waste transfer or disposal to facilitate proper monitoring.

Office

Since the main function of our office in Hong Kong is to provide administrative support and other professional services, the environmental impact generated is relatively low. Nevertheless, we are committed to achieving a green office and thus, have devised procedures for employees to put into practice to limit and control our impact, which can be found in our "Environmental Operational Control — Office Management" policy.

Impact	Countermeasure
Ozone Layer	• Replace or prohibit the use of ozone-depleting substances in air-conditioners and fire extinguishers amongst others.
Water Pollution	• Discharge domestic sewage into public sewers in a proper manner. • Prohibit the discharge of effluent other than domestic sewage into foul sewers.
Waste	• Provide separately labelled bins to allow segregation of recyclable materials whenever practicable. • Reuse waste materials and return to suppliers for recycling whenever possible. • Encourage double-sided copying, drafting on used paper and communication via e-mail to reduce paper usage.

Climate Change

The unpredictable nature of climate change is a major challenge for economies, businesses and communities across the globe. It will continue to pose a significant threat to our livelihoods unless we are willing to take a united stand, and take immediate action to counter the devastating effects of climate change.

The Group realises that it urgently needs to respond to the pressing issue of climate change to minimise potential disruptions to its operations. In addition to our current approach in managing climate-related risks via our robust three-tier risk management system, during the Reporting Period, we have enhanced our strategy by conducting a preliminary climate-related risk assessment to objectively evaluate any important risks and devise appropriate mitigation measures. The assessment is based on the framework published by the Task Force on Climate-Related Financial Disclosures (TCFD). Through the analysis, we identified nine climate-related risks in the physical and transition risks categories that may potentially have a significant impact on our operations. Physical risks are split into acute (event-driven) and chronic (longer-term shifts), whereas transition risks are further divided into policy and legal, technology, market, and reputation.

Our assessment concluded that all nine climate-related risks were deemed to be of low risk to the Group's business activities. Nevertheless, we have formulated appropriate measures to mitigate the potential impact of these identified risks. For physical risks that consist of extreme weather events, our Human Resources Department and Audit Committee will regularly review internal policies to prioritise and safeguard the health and safety of employees based indoors and outdoors. For transition risks relating to shifting to a low-carbon economy, we will work with external consultants and analyse our environmental policies to ensure our procedures are in line with global expectations and industry best practices.

Contracting and Interior Design and Decoration

Acute physical risks consisting of extreme weather events will likely impact our ability to conduct regular business activities. Thus, special work arrangements, which are outlined in the Staff Handbook and adhere to the regulations laid out by the Labour Department, have been developed to safeguard the health and safety of our employees and subcontractors based at construction sites, as well as back office staff. In the event of a typhoon or rainstorm, all operations will be suspended and non-essential employees are requested to stay at home.

Property Sub-Leasing and Management

To adapt to the potential effects of climate change, the Group is committed to integrating climate-related risks in its property sub-leasing and management operations. To minimise potential transition risks, we will focus on enhancing the identification and assessment process used to evaluate target prospective customers, especially those in carbon-intensive sectors. To address the chronic physical risk of rising sea levels, we will endeavour to source properties that are not located in areas vulnerable to coastal flooding.

CARING FOR OUR PEOPLE

At China All Nation, our people are at the heart of our operations and are the key to our success. Thus, we make a concerted effort to uphold a healthy and safe work environment at construction sites and offices, champion diversity and inclusivity in our workforce, as well as cultivate competent talent through facilitating the development of skills and knowledge. Also, our commitment to fostering meaningful connections with employees and local communities is communicated through effective engagement initiatives.

Occupational Health and Safety

Enforcing and practising high standards of occupational health and safety is an indispensable part of our operations. We ensure that the welfare of our employees and subcontractors is prioritised through implementing health and safety regulations specifically formulated for our different operational scenarios. The Group has ensured compliance with relevant local laws and regulations including but not limited to the Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong). During the Reporting Period, the Group was not aware of any non-compliance with relevant laws and regulations relating to occupational health and safety.

Contracting and Interior Design and Decoration

As a contractor, the well-being of both our own employees and subcontractors' employees at construction sites is our top concern. As indicated in the Staff Handbook, employees are expected to immediately report any observations of unsafe working conditions and workplace injuries to their manager or technical director. Fire precaution measures are also mentioned, where employees should be familiar with the use of fire extinguishers and the fire escape route at the specific site. In the event of a fire, employees must keep calm, refrain from using lifts and swiftly leave the workplace.

We have established the "Safety Rules" for our subcontractors to ensure that they are fully aware of and uphold our stringent health and safety expectations at all times.

Safety Regulations Imposed on Subcontractors

- Submit safety plans, method statements, risk assessments and other safety-related documents prior to work commencement.
- Acknowledge receipt of the site safety booklets by requesting their workers to sign and return an acknowledgement slip within 7 days.
- Provide staff with mandatory personal protective equipment ("**PPE**"), such as safety helmet with chin strap, safety footwear and reflective vest, as well as job-specific PPE when required.
- Store used dangerous or chemical substances in a safe place and be posted with a warning notice or label.
- Arrange machinery to be inspected by public surveying firms in accordance with statutory requirements prior to its usage.

We will continuously monitor and assess the safety performance of our subcontractors, and fines will be issued for any negligence or violations to our safety rules. To reinforce our approach, we have implemented a score-deduction system, where points will be deducted from subcontractors based on the severity of the breach, and they will be subject to penalties for receiving a certain amount of points deductions within a rolling 3-month period.

Penalties Imposed on Subcontractors for Points Deductions

- For 10 marks deductions, staff at project manager level (or above) must attend the site safety meeting and inspection.
- For 15 marks deductions, a written warning will be issued.
- For 20 marks deductions, staff at director level must attend the site safety meeting and inspection.
- For 25 marks deductions, a written warning will be issued explaining the tender contract may be suspended or they may be removed from the tender list if no improvements are made.
- For 30 marks deductions, the tender contract may be suspended or they may be removed from the tender list.

During the Reporting Period, Hong Kong was in the midst of the ongoing COVID-19 pandemic. To safeguard our employees, especially at the height of COVID-19, we had put in place a set of measures to prevent any outbreaks at our office. Employees are required to wear masks at all times, practise good personal hygiene and avoid social contact with others. If employees are experiencing symptoms of a cold or flu, they would be required to stay at home. In the event of a positive COVID-19 case, controls including self-isolation, testing and workplace sanitisation would be carried out. During the Reporting Period, we distributed approximately 270 pieces of PPE as a token of goodwill for our employees and subcontractors.

Property Sub-leasing and Management

Our Staff Handbook lists out instructions on maintaining a healthy, hazard-free workplace for employees at the property sub-leasing and management office, which covers topics such as fire precautions, hygiene maintenance, smoking rules, accidents handling and emergency response. The Group also adopts diverse occupational health and safety practices to enhance its safety standards.

Occupational Health and Safety Measures

- Maintain an air exchange rate that meets standard requirements.
- Disinfect public areas on a regular basis.
- Close down common areas where possible (including break rooms, kitchens and lounge areas).
- Test and certify all fire control equipment on a regular basis.
- Ensure security hardware on security doors functions properly.
- Maintain corridors that are clean and free from obstructions.
- Collect the emergency contact of all employees and create an emergency contact list.
- Post safety instruction notices at necessary locations.

During the Reporting Period, the PRC had experienced a new wave of the COVID-19 pandemic, which led to lockdowns and stringent prevention and control measures throughout the country. As such, we executed several initiatives at our office, including providing approximately 500 pieces of PPE consisting of masks, hand sanitisers, gloves and disinfectants to our employees during the Reporting Period, to prevent transmission in the workplace and more importantly, protect their well-being.

Recruitment and Remuneration

Recruiting and retaining top talents is a focus that the Group remains dedicated to. We aim to ensure that our workforce represents a diverse population of the local communities that we operate in, and the remuneration provided for their efforts is competitive and reasonable. All our employment policies and practices are indicated in the Staff Handbook. The Group has complied with relevant laws and regulations including but not limited to the Employment Ordinance (Cap. 57 of the Laws of Hong Kong) and Labour Law of the PRC. During the Reporting Period, the Group was not aware of any non-compliance with relevant laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

China All Nation adopts the principles of fairness, impartiality and openness in its employment practices. All decisions relating to recruitment, promotion and secondment are made solely based on objective criteria, which include the interview or work performance of candidates or employees respectively. We aim to eliminate discrimination and promote equal opportunities for candidates and employees regardless of their nationality, race, gender, sexual orientation, age, marital status and religious beliefs. Candidates must pass our interview process and promptly submit all relevant identification documents, academic certificates and qualifications in order to be recruited. Each new employee is required to sign the employment contract, which confirms their acceptance of the employment terms and conditions. In the PRC office, employees will be eligible for a job transfer, promotion and salary adjustment upon an assessment of the employee’s performance during our arranged training activities.

All employees are entitled to a fair and competitive remuneration package and various benefits depending on their job position and geographic location, which include a performance-related discretionary bonus, retirement benefits, overtime benefits, various types of insurance and housing funds. They are also provided with diverse leave benefits, including statutory holidays, annual leave, sick leave, maternity leave, marriage leave, paternity leave, breastfeeding leave and condolence leave. In addition, the Group adheres to the principle of equal pay for equal work (同工同酬) in the PRC office, where the employee's salary is determined according to the complexity of the work, degree of responsibility, required professional skills and value of their contribution to the Group.

Training and Development

The Group promotes a culture of continuous learning and development for all employees to allow them to carry out their duties with professional expertise and fulfil their potential.

It is imperative to ensure that our employees are equipped with the necessary knowledge in order to develop their competencies. Thus, during the Reporting Period, we enabled our employees to attend training sessions on topics such as corporate governance and financial reporting to enhance their skills and knowledge. In addition, the Group has conducted an anti-corruption training session for its employees to raise their awareness on anti-corruption matters, where eight directors participated in the training activity.

Contracting and Interior Design and Decoration

The Group has established the Training Sponsorship Programme to support certain staff members at construction sites and the back office with the enrolment of job-related external training programmes. Employees may also be granted time off to study for their examinations, and will be reimbursed for any fees paid upon passing the examinations. We hope our employees can utilise this worthwhile opportunity to engage in continuous professional development.

Property Sub-leasing and Management

Guided by its principles on building a skilled workforce that can improve business performance and shape corporate culture, the Group aims to regularly provide internal and external training opportunities. To this end, we have a training plan in place, and department heads can also submit their specific training needs and programmes to enhance employees' capabilities.

For new recruits, orientation training will be delivered by the Human Resources Administration Centre (人力行政中心) and will cover topics such as company profile, development history, corporate culture, as well as rules and regulations. Department heads or supervisors will supplement the staff member's understanding by providing position training, which will introduce the department's background and responsibilities, as well as the employee's individual duties. Through these training arrangements, employees are expected to feel comfortable in the work environment and execute tasks effectively. We also organise training seminars on different topics to supplement the skill sets of our employees.

Supplementary Training Topics
• Basic Knowledge Training on Social Insurance and Provident Fund
• Mentality Training
• Knowledge Training on COVID-19 Control and Prevention

Communication and Engagement

China All Nation is passionate about engaging with employees and communities to foster supportive relationships and tailor its strategic priorities to continuously implement practices that meet their needs. We, along with our employees, hope to grow hand in hand with society.

The Group ensures employees are aware of the latest operational updates through circulating internal notices communicated by the Board and different business units. To facilitate two-way communication, the Group has established grievance procedures to encourage employees to raise any concerns or opinions via e-mail directly to the Board. Our annual performance review mechanism stimulates open dialogue and enables employees to discuss their performance, career development, and areas of improvement with their managers or directors.

Contracting and Interior Design and Decoration

The impact of construction activities on local communities cannot be underestimated. Thus, we always aim to operate responsibly to show care to those living in the vicinity and explore measures to mitigate our impact. For further details regarding our environmental protection efforts, please refer to the "Protecting Our Environment" section.

Property Sub-leasing and Management

The Group has developed "Employee Relationship Management" regulations that is stated in the Staff Handbook, which lists out the various behaviours that will constitute a reward or punishment. By executing these guidelines, we motivate employees to act as a role model and inspire their colleagues to adopt like-minded characteristics whilst penalising irresponsible conduct. Moving forward, we will endeavour to expand our engagement activities with our employees to foster strong working relationships and optimise their satisfaction.

LAWS AND REGULATIONS COMPLIANCE

China All Nation is committed to conforming to national and regional laws and regulations of local jurisdictions, where it has robust monitoring measures in place to ensure compliance. The table below communicates all relevant laws and regulations that we have rigorously adhered to.

Improving Our Business
Hong Kong:
• Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong)
• Buildings Ordinance (Cap. 123 of the Laws of Hong Kong)
• Companies Ordinance (Cap. 622 of the Laws of Hong Kong)
• Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong)
• Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong)
• Occupiers Liability Ordinance (Cap. 314 of the Laws of Hong Kong)
• Summary Offences Ordinance (Cap. 228 of the Laws of Hong Kong)
The PRC:
• Anti-Money Laundering Law of the People's Republic of China
• General Principles of the Civil Law of the People's Republic of China
• Tort Liability Law of the People's Republic of China
Protecting Our Environment
Hong Kong:
• Air Pollution Control Ordinance (Cap. 311 of the Laws of Hong Kong)
• Noise Control Ordinance (Cap. 400 of the Laws of Hong Kong)
Caring for Our People
Hong Kong:
• Employment Ordinance (Cap. 57 of the Laws of Hong Kong)
• Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong)
• Factories and Industrial Undertakings Ordinance (Cap. 59 of the Laws of Hong Kong)
• Immigration Ordinance (Cap. 115 of the Laws of Hong Kong)
• Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong)
• Minimum Wage Ordinance (Cap. 608 of the Laws of Hong Kong)
• Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong)

The PRC:

- Employment Promotion Law of the People's Republic of China
- Labour Contract Law of the People's Republic of China
- Labour Law of the People's Republic of China
- Regulation on Public Holidays for National Annual Festivals and Memorial Days

KPIs SUMMARY TABLE

KPIs[1]	Unit	Hong Kong	The PRC	Total
Environmental				
GHG Emissions				
GHG Emissions (Scope 2)	tCO_2-e	3.19	–	3.19
Total GHG Emissions	tCO_2-e	3.19	–	3.19
GHG Emissions Intensity by Full-time Equivalent (FTE)	tCO_2–e/Person	0.29	–	0.09
GHG Emissions Intensity by Revenue[2]	tCO_2-e/ HK$'million		0.03	
Energy Consumption				
Electricity Usage	kWh	4,499.30	–	4,499.30
Energy Usage	MJ	16,197.49	–	16,197.49
Energy Usage Intensity by FTE	MJ/Person	1,472.50	–	476.40
Energy Usage Intensity by Revenue	MJ/HK$'million		131.68	

1 All figures are rounded to two decimal places.

2 Intensity by revenue is calculated based on the Group's total revenue of approximately HK$123.0 million.

KPIs	Unit	Hong Kong	The PRC[3]	Total
Social				
Workforce (Full-time Staff Only)				
Total Workforce	Person	11	23	34
Workforce by Gender				
Male	Person	5	8	13
Female	Person	6	15	21
Workforce by Employment Category				
Senior Level	Person	10	2	12
Intermediate Level	Person	1	5	6
General Level	Person	0	16	16
Workforce by Age Group				
<30 Years Old	Person	1	6	7
30–40 Years Old	Person	5	12	17
41–50 Years Old	Person	3	5	8
>50 Years Old	Person	2	0	2
Workforce by Geographical Region				
Hong Kong	Person	11	0	11
The PRC	Person	0	23	23
Turnover Rate				
Total Turnover Rate	%	20.00%	122.03%	96.20%
Turnover Rate by Gender				
Male	%	22.22%	113.04%	87.50%
Female	%	18.18%	127.28%	102.13%
Turnover Rate by Age Group				
<30 Years Old	%	0.00%	115.38%	107.14%
30–40 Years Old	%	22.22%	165.22%	125.00%
41–50 Years Old	%	0.00%	40.00%	26.67%
>50 Years Old	%	50.00%	N/A	50.00%
Turnover Rate by Geographical Region				
Hong Kong	%	20.00%	N/A	20.00%
The PRC	%	N/A	122.03%	122.03%

3 Workforce, turnover, training and work-related incidents figures also include data from the commodity trading business in the PRC.

KPIs	Unit	Hong Kong	The PRC[3]	Total
Social				
Employees Trained				
Total Employees Trained	%	63.64%	0.00%	20.59%
Percentage of Employees Trained by Gender				
Male	%	60.00%	0.00%	23.08%
Female	%	66.67%	0.00%	19.05%
Percentage of Employees Trained by Employment Category				
Senior Level	%	60.00%	0.00%	50.00%
Intermediate Level	%	100.00%	0.00%	16.67%
General Level	%	N/A	0.00%	0.00%
Training Hours				
Total Average Training Hours	Hours/Employee	13.73	0.00	4.44
Average Training Hours by Gender				
Male	Hours/Employee	1.40	0.00	0.54
Female	Hours/Employee	24.00	0.00	6.86
Average Training Hours by Employment Category				
Senior Level	Hours/Employee	3.10	0.00	2.58
Intermediate Level	Hours/Employee	120.00	0.00	20.00
General Level	Hours/Employee	N/A	0.00	0.00
Work-related Incidents				
Work-related Fatalities[4]	Case(s)	0	0	0
Work-related Injury Rate	Per employee	0.00	0.00	0.00
Lost Days due to Work-related Injury	Day(s)	0	0	0
Suppliers by Geographical Region				
Hong Kong	No.	29	0	29
The PRC	No.	0	129	129

4 There were no reported cases during 2019/20 and 2020/21.

HKEX ESG GUIDE CONTENT INDEX

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

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

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

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

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

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
B. Social		
Operating Practices		
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	**Improving Our Business** — Product and Service Quality — Business Conduct — Data Privacy and Other Rights **Laws and Regulations Compliance**
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	**Improving Our Business** — Product and Service Quality
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	**Improving Our Business** — Product and Service Quality
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	**Improving Our Business** — Business Conduct — Data Privacy and Other Rights
KPI B6.4	Description of quality assurance process and recall procedures.	**Improving Our Business** — Product and Service Quality
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	**Improving Our Business** — Business Conduct — Data Privacy and Other Rights
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	**Improving Our Business** — Business Conduct — Anti-corruption **Laws and Regulations Compliance**
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	**Improving Our Business** — Business Conduct — Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	**Improving Our Business** — Business Conduct — Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	**Caring for Our People** — Training and Development

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

Pursuant to Rule 18.44 of the GEM Listing Rules, the Board is pleased to present hereby the corporate governance report of the Company for the year ended 31 July 2022.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**Code**") in Appendix 15 of the GEM Listing Rules. During the year ended 31 July 2022, save as disclosed in this annual report, the Company had complied with the applicable code provisions of the Code as set out in Appendix 15 to the GEM Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision A.2.1 (renumbered as code provision C.2.1 with effect from 1 January 2022) of the Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. During the year ended 31 July 2022, (i) 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; and (ii) there had been no chief executive officer in the Company until the appointment of Mr. Liu Guofei as the Company's executive Director, co-chairperson and chief executive officer of the Company with effect from 27 May 2022. Mr. Liu Guofei subsequently resigned as executive Director, co-chairperson and chief executive officer of the Company with effect from 19 August 2022.

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

BOARD OF DIRECTORS

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

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

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

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

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

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

Composition of the Board

Up to the date of this annual report, the Board comprises six Directors, including three executive Directors and three independent non-executive Directors ("**INED**"). In particular, the composition of the Board during the year ended 31 July 2022 and as at the date of the annual report is set out as follow:

Executive Directors
Mr. Lin Ye *(Chairman)*
Mr. Au Siu Chung *(Compliance Officer)*
Ms. Xiao Yi Liao Ge
Mr. Guo Junsheng (Appointed on 17 December 2021 and resigned with effect from 1 January 2022)
Mr. Liu Guofei (*Co-Chairperson and Chief Executive Officer,* appointed on 27 May 2022 and resigned with effect from 19 August 2022)
Ms. Li Lin (Appointed on 27 May 2022 and resigned with effect from 19 August 2022)

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

In compliance with rules 5.05(1) and 5.05A of the GEM Listing Rules, the Board consisted of three INEDs during the year ended 31 July 2022. During the year ended 31 July 2022 and as of the date of this annual report, the number of INEDs represents more than one-third of the Board. As such, there is a strong independent element in the Board to provide independent judgement.

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

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

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

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

Board and General Meetings

During the year ended 31 July 2022, 7 board meetings and 1 general meeting were held.

The attendance of the respective Directors at the meetings in the year ended 31 July 2022 are set out below:

	Meetings Attended/Held	
	Board meeting	**General meeting**
Executive Directors		
Mr. Lin Ye *(Chairman)*	7/7	1/1
Mr. Au Siu Chung *(Compliance Officer)*	6/7	1/1
Ms. Xiao Yi Liao Ge	6/7	1/1
Mr. Guo Junsheng (Appointed on 17 December 2021 and resigned with effect from 1 January 2022)	0/7	0/1
Mr. Liu Guofei (*Co-Chairperson and Chief Executive Officer,* appointed on 27 May 2022 and resigned with effect from 19 August 2022)	1/7	0/1
Ms. Li Lin (Appointed on 27 May 2022 and resigned with effect from 19 August 2022)	1/7	0/1
Independent Non-executive Directors		
Ms. Kwong Ka Ki	7/7	1/1
Ms. Guo Liying	7/7	1/1
Mr. Yu Hua Chang	7/7	1/1

RELATIONSHIPS AMONG MEMBERS OF THE BOARD

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

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standards set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by Directors in respect of the shares of the Company (the "**Code of Conduct**"). The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct during the year ended 31 July 2022.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

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

During the year ended 31 July 2022, the Company has complied with code provision A.6.5 (renumbered as code provision C.1.4 with effect from 1 January 2022) of the Code that all Directors (being Mr. Lin Ye, Mr. Liu Guofei, Mr. Au Siu Chung, Ms. Li Lin, Ms. Xiao Yi Liao Ge, Ms. Kwong Ka Ki, Mr. Yu Hua Chang and Ms. Guo Liying) have attended seminars on the updates of the GEM Listing Rules concerning good corporate governance practices or read newspapers, journals and updates relating to the economy, general business and corporate governance. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they keep abreast with the current requirements under the GEM Listing Rules.

BOARD COMMITTEES

The Board has established a number of functional committees in compliance with the relevant GEM Listing Rules and to assist the Board to discharge its duties. Currently, four committees have been established. An audit committee (the "**Audit Committee**") has been established on 19 November 2014 with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and code provisions C3.3 and C3.7 (renumbered as code provisions D.3.3 and D.3.7 with effect from 1 January 2022) of the Code; a remuneration committee (the "**Remuneration Committee**") has been established on 19 November 2014 with its terms of reference in compliance with code provision B1.2 (renumbered as code provision E.1.2 with effect from 1 January 2022) of the Code; and a nomination committee (the "**Nomination Committee**") has been established on 19 November 2014 with terms of reference in compliance with paragraph A.5.2 (renumbered as code provision B.3.1 with effect from 1 January 2022) of the Code. The functions and responsibilities of these committees have been set out in the relevant terms of reference which are of no less stringent than that stated in the Code. The relevant terms of reference of each of the three committees can be found on the Group's website (www.allnationinternational.com) and the website of the Stock Exchange. In addition to the abovementioned committees, a legal compliance committee (the "**Legal Compliance Committee**") has been established on 19 November 2014. All committees have been provided with sufficient resources and support from the Group to discharge their duties.

AUDIT COMMITTEE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

During the year ended 31 July 2022, the Audit Committee had reviewed the Group's unaudited quarterly results for the three months ended 31 October 2021, unaudited interim results for the six months ended 31 January 2022, unaudited quarterly results for the nine months ended 30 April 2022 and discussed internal controls and financial reporting matters. The Audit Committee had also reviewed audited annual results for the year ended 31 July 2022, this annual report, and confirmed that this annual report complies with the applicable standard, the GEM Listing Rules, and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditor.

The Board is of the view that the Audit Committee has properly discharged its duties and responsibilities during the year ended 31 July 2022 and up to the date of this annual report.

For the year ended 31 July 2022, the Audit Committee had held 4 meetings. The attendance records of the members of the Audit Committee are summarised below:

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

REMUNERATION COMMITTEE

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

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

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

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

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

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

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

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

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

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

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

The attendance records of the members of the Remuneration Committee for the year ended 31 July 2022 are summarised below:

	Meetings Attended/Held
Ms. Guo Liying *(Chairperson)*	3/3
Mr. Au Siu Chung	3/3
Ms. Kwong Ka Ki	3/3

During the year ended 31 July 2022, the Remuneration Committee reviewed and made recommendation on the remuneration package of senior management of the Group. The Board is of the view that the Remuneration Committee has properly discharged its duties and responsibilities during the year ended 31 July 2022 and up to the date of this annual report.

NOMINATION COMMITTEE

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

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

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

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

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

4. to assess the independence of INEDs; and

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

The attendance records of the members of the Nomination Committee for the year ended 31 July 2022 are summarised below:

	Meetings Attended/Held
Ms. Kwong Ka Ki *(Chairperson)*	3/3
Ms. Guo Liying	3/3
Mr. Yu Hua Chang	3/3

During the year ended 31 July 2022, the Nomination Committee reviewed the structure, size and composition of the Board and assessed the independence of INEDs. The Board is of the view that the Nomination Committee has properly discharged its duties and responsibilities during the year ended 31 July 2022 and up to the date of this annual report.

NOMINATION POLICY

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

BOARD DIVERSITY POLICY

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

LEGAL COMPLIANCE COMMITTEE

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

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

The attendance records of the members of the Legal Compliance Committee are for the year ended 31 July 2022 are summarised below:

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

AUDITOR'S REMUNERATION

During the year ended 31 July 2022, the Group engaged Moore Stephens CPA Limited ("**Moore**") as the Group's external auditor. The remuneration paid and payable to Moore is set out as follows:

Services rendered	**Fees paid/payable**
	HK$'000
Audit services	830
Non-audit services	120
	950

COMPANY SECRETARY

Ms. Lung Yuet Kwan has confirmed that she has undertaken not less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules.

COMPLIANCE OFFICER

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

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining an adequate system of internal controls and risk management within the Group. For the year ended 31 July 2022, the Board has also conducted its annual review of the effectiveness of the risk management and internal control system of the Group. The systems of internal controls and risk management are designed to facilitate effective and efficient operations, to safeguard assets and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations. They are also designed to provide reasonable, but not absolute, assurance that material misstatement or loss can be avoided, and to manage and minimize risks of failure in operation systems. In the future, the Group will conduct regular review of the Group's internal control and risk management systems and its effectiveness to ensure the interest of shareholders is safeguarded.

OBJECTIVES OF RISK MANAGEMENT AND INTERNAL CONTROL

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

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

PRINCIPLES OF INTERNAL CONTROL

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

THREE-TIER RISK MANAGEMENT APPROACH

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

During the year ended 31 July 2022, the Board appointed an independent professional consultancy firm to conduct an internal control review. Based upon the results of the internal control review which were submitted to the Audit Committee for consideration, the Board and the Audit Committee are satisfied that the Group's systems of risk management and internal controls, including financial, operational, compliance, and risk management functions, are adequate and effective.

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

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

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

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

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

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

The Board further considers that (i) there was no material issue relating to the Group's risk management and internal controls, including financial, operational and compliance controls and risk management functions of the Group; and (ii) that there were adequate staff with appropriate and adequate qualifications and experience, resources for accounting, internal audit and financial reporting functions, and adequate training programmes had been provided during the year ended 31 July 2022.

SENIOR MANAGEMENT REMUNERATION

For the year ended 31 July 2022, the remuneration of the senior management is listed below by band:

	Number of individuals
Nil to HK$500,000	2
HK$500,001 to HK$1,000,000 (Note 1)	1

Details of the Directors' remuneration and five highest paid individuals for the year ended 31 July 2022 as regarded to be disclosed pursuant to the Code are provided in Notes to the Consolidated Financial Statements in this annual report.

Note:

1. This include the remuneration of a senior management who resigned with effect from 1 June 2022.

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

GENERAL MEETINGS WITH SHAREHOLDERS

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

The AGM of the Company will be held on 9 December 2022, the notice of which shall be sent to the shareholders of the Company at least 20 clear business days prior to the meeting.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meeting on Requisition by Shareholders

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

Procedures for Shareholders' Nomination of Directors

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

Procedures for directing shareholders' enquiries to the Board

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

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

Investor Relations

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

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

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

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

Significant Changes in Constitutional Documents

During the year ended 31 July 2022, there had been no change in the constitutional documents of the Company.

The Board is pleased to present the annual report together with the audited consolidated financial statements for the year ended 31 July 2022.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

Further discussion and analysis of the activities of the Group during the year ended 31 July 2022, and an indication of likely future developments in the Group's business as required by Schedule 5 to the Companies Ordinance, Chapter 622, can be found in the section headed "Management Discussion and Analysis" of this annual report. Those discussions form part of this directors' report.

PRINCIPAL RISKS

Details of the principal risks of the Group during the year ended 31 July 2022 are set out in Note 35 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 July 2022 are set out in the consolidated statement of profit or loss and other comprehensive income in this annual report.

The Board did not recommend payment of final dividend to shareholders of the Company for the year ended 31 July 2022.

CLOSURE OF REGISTER OF MEMBERS

As the forthcoming AGM of the Company to be held on 9 December 2022 (Friday), the register of members of the Company will be closed from 6 December 2022 (Tuesday) to 9 December 2022 (Friday) (both days inclusive) for the said AGM or any adjournment thereof. All transfer of the Company's shares together with the relevant share certificates must be lodged with the Company's branch share registrar and transfer office no later than 4:30 p.m. on 5 December 2022 (Monday) in order to qualify for the right to attend and vote at the meeting (or any adjournment thereof). The Company's branch share registrar and transfer office is at:

Address: Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

FIVE-YEAR FINANCIAL SUMMARY

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements of the property, plant and equipment of the Group during the year ended 31 July 2022 are set out in Note 14 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND COMPLIANCE WITH LAWS AND REGULATIONS

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

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

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

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 July 2022 are set out in Note 30 to the consolidated financial statements.

SHARE CAPITAL AND SHARE PREMIUM

The Company's total issued share capital as at 31 July 2022 was 411,200,000 ordinary shares of HK$0.01 each.

Details of movements of the share capital and the share premium of the Company during the year ended 31 July 2022 are set out in Notes 26 and 28 to the consolidated financial statements respectively.

EMOLUMENT POLICY FOR DIRECTORS

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

RESERVES

Details of movements in the reserves of the Group during the year ended 31 July 2022 are set out in Note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As of 31 July 2022, no reserves of the Company available for distribution, as calculated under the provisions of section 79B of the Companies Ordinance, and in accordance with the Companies Law Cap. 22 of the Cayman Islands, (2021: Nil) inclusive of share premium and accumulated losses.

SHARE OPTION SCHEME

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

No share options were granted since the adoption of the Scheme and there were no share option outstanding as at 31 July 2022.

DIRECTORS

The Directors of the Company during the year ended 31 July 2022 and up to the date of this annual report were:

Executive Directors

Mr. Lin Ye *(Chairman)*
Mr. Au Siu Chung *(Compliance Officer)*
Ms. Xiao Yi Liao Ge
Mr. Guo Junsheng (Appointed on 17 December 2021 and resigned with effect from 1 January 2022)
Mr. Liu Guofei (*Co-Chairperson and Chief Executive Officer,* appointed on 27 May 2022 and resigned with effect from 19 August 2022)
Ms. Li Lin (Appointed on 27 May 2022 and resigned with effect from 19 August 2022)

Independent Non-executive Directors

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

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

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

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

DIRECTORS' SERVICE CONTRACT

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

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

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

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

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

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

PERMITTED INDEMNITY

During the year ended 31 July 2022, the Company has arranged Directors' and officers' liability insurance for all Directors and senior management of the Company. The insurance covers the corresponding costs, charges, expenses and liabilities for legal action of corporate activities against them.

DISCLOSURE OF INTERESTS

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

As at 31 July 2022, the interests and short positions of the Directors and chief executive of the Company in the shares (the "**Shares**"), underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong (the "**SFO**")) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in the Shares

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

Save as disclosed above and so far as is known to the Directors, as at 31 July 2022, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Note:

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

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

As at 31 July 2022, so far as was known to the Directors, the interests and short positions of the following persons (other than the Directors or chief executive of the Company) or entities which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were requested to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

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

Notes:

1. Interests in Shares stated above represent long positions.

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

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

Save as disclosed above, as at 31 July 2022, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Disclosure of Interest" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

MAJOR CUSTOMERS

During the year ended 31 July 2022, the Group's five largest customers accounted for approximately 48.7% (2021: 65.6%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 27.9% (2021: 29.1%) of the total revenue.

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

MAJOR SUPPLIERS

During the year ended 31 July 2022, the Group's five largest suppliers accounted for approximately 48.7% (2021: 45.2%) of the total purchases of the Group and the largest supplier of the Group accounted for approximately 16.8% (2021: 19.7%) of the total purchases.

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

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries, holding company or fellow subsidiaries was a party and in which a Director had a material interests directly or indirectly subsisted at the end of the year ended 31 July 2022 or at any time during the year ended 31 July 2022.

MANAGEMENT CONTRACTS

No management contracts concerning the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 July 2022.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 July 2022 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

MATERIAL ACQUISITIONS, DEREGISTRATIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Details of the Group's material acquisitions, deregistrations and disposals of subsidiaries and affiliated companies for the year ended 31 July 2022, if any, are set out in the section headed "Management Discussion and Analysis" of this annual report.

COMPETITION AND CONFLICT OF INTEREST

Having made specific enquiry of all Directors and substantial Shareholders, during the year ended 31 July 2022, none of the Directors nor their respective close associates (as defined in the GEM Listing Rules) had held any position or had interest in any businesses or companies that were or might be materially competing with the business of the Group, or gave rise to any concern regarding conflict of interests.

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

During the year ended 31 July 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

During the year ended 31 July 2022, save as disclosed in this annual report, the Company had complied with the applicable code provisions of the Code as set out in Appendix 15 to the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares of the Company (the "**Code of Conduct**"). Having made specific enquiries of the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the year ended 31 July 2022.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 19 November 2014. The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 31 July 2022.

SUFFICIENCY OF PUBLIC FLOAT

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

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 July 2022 were audited by Moore Stephens CPA Limited ("**Moore**"), who will retire in the AGM and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Moore as auditor of the Company will be proposed in the forthcoming AGM.

AUDIT COMMITTEE

The Company has established the Audit Committee on 19 November 2014 with its written terms of reference in compliance with code provisions C.3.3 and C.3.7 (renumbered as code provisions D3.3 and D3.7 with effect from 1 January 2022) of the Code. The primary duties of the Audit Committee are to review and supervise the Group's financial reporting process, risk management and internal control system of the Group, nominate and monitor external auditor and to provide advice and comments to the Board on matters related to corporate governance. As at the date of this annual report, the Audit Committee consists of three members, namely Ms. Kwong Ka Ki (Chairperson), Mr. Yu Hua Chang and Ms. Guo Liying.

REVIEW OF ANNUAL REPORT

This annual report for the year ended 31 July 2022 has been reviewed by the Audit Committee, which was of the opinion that the information contained therein had complied with the disclosure requirements of the GEM Listing Rules, and that adequate disclosures had been made.

EVENTS AFTER THE RELEVANT PERIOD

Save as disclosed above, the Directors are not aware of any other significant event requiring disclosure that has taken place subsequent to 31 July 2022 and up to the date of this report.

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

Hong Kong, 21 October 2022

MOORE

Moore Stephens CPA Limited

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Kowloon, Hong Kong

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大華馬施雲
會計師事務所有限公司

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

OPINION

We have audited the consolidated financial statements of China All Nation International Holdings Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 86 to 181, which comprise the consolidated statement of financial position as at 31 July 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 July 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

KEY AUDIT MATTER

Key audit matter is those matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables and finance lease receivables	
Refer to the notes 4.8, 5(c), 17, 19 and 35(ii) to the consolidated financial statements	
As at 31 July 2022, the Group had trade receivables and finance lease receivables with gross carrying amounts of approximately HK$18,626,000 and HK$94,214,000 respectively. The Group had recognised expected credit loss ("**ECL**") on trade receivables and finance lease receivables with aggregate amount of approximately HK$8,989,000 in consolidated profit or loss during the year ended 31 July 2022. The management of the Company performs periodic assessment on the recoverability of the trade receivables and finance lease receivables and the sufficiency of the allowance for ECL. In estimating the allowance for ECL, the management makes individual assessment for certain debtors with significant balances and/or collectively through groupings of various debtors that have similar loss patterns, after considering various factors such as the creditworthiness of respective customers, ageing analysis, historical settlement records, and on-going business relationship with the relevant customers as well as the forecast of future macro-economic conditions that may impact the customers' abilities to repay the outstanding balances. We identified such impairment assessment as a key audit matter due to the significant judgement required to be exercised by the management and the high estimation uncertainty in assessing the recoverability of the customers.	Our procedures in relation to impairment assessment of trade receivables and finance lease receivables mainly included: • Obtaining an understanding, evaluating and testing the management's key internal control and procedures for managing, monitoring the billing and collection process and assessing the recoverability of trade receivables and finance lease receivables; • Assessing the appropriateness of the provisioning methodology and challenging the management's basis and judgement in determining ECL on trade receivables and finance lease receivables as at 31 July 2022, including the reasonableness of grouping of receivables, the basis of estimation of loss rates and forward-looking information, especially the market data with particular focus on the impact of the pandemic; • Discussing with the management about their evaluation of the background, financial capability of the debtors, evaluation of the impact of disputes with customers, any unforeseen delay of the contract works and any significant changes in credit quality of the debtors, and their credit assessment that the outstanding amounts were recoverable; • Inquiring the management for (i) the status of each of the material receivables past due as at the year end and (ii) the billing status of each of material contract assets, and corroborated explanations from the management with supporting evidence;

KEY AUDIT MATTER – *continued*

Key audit matter	How our audit addressed the key audit matter

Impairment assessment of trade receivables and finance lease receivables – continued

Our procedures in relation to impairment assessment of trade receivables and finance lease receivables mainly included – *continued*:

- Testing the integrity of information used to develop ECL methodologies, including ageing analysis of receivables, on a sampling basis, to the underlying financial records and post year end settlements;
- Testing the accuracy and completeness of other key data used by the management to determine the ECL, on a sampling basis; and
- Evaluating the adequacy and appropriateness of disclosures regarding the impairment assessment of trade receivables and finance lease receivables in the consolidated financial statements.

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

The directors of the Company are responsible for the other information. The other information comprises all the information included in the Group's 2022 annual report other than the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

Moore Stephens CPA Limited
Certified Public Accountants

Ng Ngai Yan
Practising Certificate Number: P07422

Hong Kong, 21 October 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 July 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	6	**123,004**	166,860
Cost of services		**(79,083)**	(115,519)
Gross profit		**43,921**	51,341
Other income and gains	7	**7,447**	8,577
Administrative and other operating expenses		**(19,079)**	(18,018)
(Provision for)/reversal of impairment losses on trade receivables, contract assets and financial lease receivables, net	35(ii)	**(8,989)**	164
Finance costs	8	**(14,057)**	(17,344)
Profit before income tax	9	**9,243**	24,720
Income tax expense	11	**(5,041)**	(7,675)
Profit for the year		**4,202**	17,045
Other comprehensive (loss)/income for the year, net of income tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operation		**(3,291)**	6,607
Total comprehensive income for the year		**911**	23,652
Profit/(loss) for the year attributable to:			
Owners of the Company		**4,202**	17,050
Non-controlling interests		**–**	(5)
		4,202	17,045
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**911**	23,657
Non-controlling interests		**–**	(5)
		911	23,652
Earnings per share attributable to owners of the Company			
Basic and diluted (HK cents)	12	**1.02**	4.15

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

As at 31 July 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment	14	173	776
Investment properties	15	27,150	58,306
Right-of-use assets	16	1,142	249
Finance lease receivables	17	35,636	58,628
Goodwill	18	230	230
Deposits paid	20	16,479	12,422
		80,810	130,611
Current assets			
Trade receivables	19	17,522	15,626
Contract assets	19	–	8,685
Finance lease receivables	17	50,505	51,878
Prepayments, deposits paid and other receivables	20	48,332	24,957
Cash and cash equivalents	21	59,296	112,830
		175,655	213,976
Current liabilities			
Trade and other payables, deposits received and accruals	22	29,963	38,798
Loan from a shareholder	25	–	14,600
Lease liabilities	23	47,661	68,630
Tax payable		1,452	4,278
		79,076	126,306
Net current assets		96,579	87,670
Total assets less current liabilities		177,389	218,281
Non-current liabilities			
Deposits received	22	9,339	10,924
Deferred tax liabilities	24	628	2,123
Lease liabilities	23	44,221	82,944
		54,188	95,991
Net assets		123,201	122,290

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2022

	Notes	2022 HK$'000	2021 HK$'000
Equity			
Share capital	26	**4,112**	4,112
Reserves	28	**119,089**	118,178
Total equity		**123,201**	122,290

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

The consolidated financial statements on pages 86 and 181 were approved and authorised for issue by the Board of Directors on 21 October 2022 and are signed on its behalf by:

Mr. Lin Ye
Director

Mr. Au Siu Chung
Director

For the year ended 31 July 2022

	Attributable to owners of the Company					
	Share capital HK$'000 (Note 26)	Share premium HK$'000 (Note 28)	Other reserves HK$'000 (Note 28)	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 August 2020	4,112	24,394	70,127	98,633	(750)	97,883
Profit/(loss) for the year	–	–	17,050	17,050	(5)	17,045
Other comprehensive income for the year						
Exchange differences on translation of financial statements of foreign operation	–	–	6,607	6,607	–	6,607
Total comprehensive income/(loss) for the year	–	–	23,657	23,657	(5)	23,652
Disposal of a subsidiary (Note 31)	–	–	–	–	755	755
At 31 July 2021 and 1 August 2021	4,112	24,394	93,784	122,290	–	122,290
Profit for the year	**–**	**–**	**4,202**	**4,202**	**–**	**4,202**
Other comprehensive loss for the year						
Exchange differences on translation of financial statements of foreign operation	**–**	**–**	**(3,291)**	**(3,291)**	**–**	**(3,291)**
Total comprehensive income for the year	**–**	**–**	**911**	**911**	**–**	**911**
At 31 July 2022	**4,112**	**24,394**	**94,695**	**123,201**	**–**	**123,201**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 July 2022

	Notes	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Net cash generated from operations	29(a)	**71,686**	130,996
Income tax paid		**(9,313)**	(8,649)
Interest received		**684**	1,328
Net cash generated from operating activities		**63,057**	123,675
Cash flows from investing activities			
Net cash inflow on disposal of subsidiaries	31	**–**	505
Purchases of property, plant and equipment	14	**(11)**	(160)
Proceeds from disposal of property, plant and equipment		**3**	–
Net cash (used in)/generated from investing activities		**(8)**	345
Cash flows from financing activities			
Repayment to a shareholder	29(b)	**(15,000)**	–
Payment of principal portion of lease liabilities	29(b)	**(87,711)**	(80,885)
Payment of interest portion of lease liabilities	29(b)	**(13,657)**	(15,867)
Net cash used in financing activities		**(116,368)**	(96,752)
Net (decrease)/increase in cash and cash equivalents		**(53,319)**	27,268
Cash and cash equivalents at beginning of the year		**112,830**	82,696
Effect of foreign exchange rate changes		**(215)**	2,866
Cash and cash equivalents at end of the year	21	**59,296**	112,830

1. GENERAL INFORMATION

China All Nation International Holdings Group Limited (the "**Company**") was incorporated and registered as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company's shares are listed on 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 project management, civil engineering consulting and contracting services in Hong Kong, property sub-leasing and management business in the People's Republic of China (the "**PRC**"), interior design services and decoration works in both Hong Kong and the PRC, and commodity trading business in the PRC.

These consolidated financial statements were approved and authorised for issue by the board of directors on 21 October 2022.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all individual HKFRSs, 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. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**").

2.2 Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 July 2022 comprise the Company and its subsidiaries (collectively referred to as the "**Group**").

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

2. BASIS OF PREPARATION – *continued*

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

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

3. ADOPTION OF NEW OR AMENDMENTS TO HKFRSs

Adoption of amendments to HKFRSs

In the current year, the Group has adopted for the first time the following amendments to HKFRSs issued by the HKICPA, which are relevant and mandatorily effective for the Group's consolidated financial statements for the accounting period beginning on or after 1 August 2021.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

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

New or amendments to HKFRSs not yet effective

The following are new or amendments to HKFRSs that have been published and are mandatory for the Group's accounting periods beginning after 1 August 2022, but have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined*
Amendments to HKFRS 3 (Revised)	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020	1 January 2022
Amendments to AG 5 (Revised)	Merger Accounting for Common Control Combination	1 January 2022
HKFRS 17	Insurance Contracts and related amendments	1 January 2023
Amendments to HKAS 1 (Revised)	Classification of Liabilities as Current or Non-current and related amendments to HK Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 1 (Revised) and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Basis of consolidation

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

Subsidiaries

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

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

Consolidation

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.1 Basis of consolidation – *continued*

Consolidation – continued

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

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

Business combination not under common control

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.1 Basis of consolidation – *continued*

Business combination not under common control – continued

Acquisition-related costs are expensed as incurred.

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

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

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

Non-controlling interests

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.1 Basis of consolidation – *continued*

Changes in ownership interests in subsidiaries without change of control

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

Disposal of subsidiaries

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

Separate financial statements

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.2 Goodwill

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.3 Property, plant and equipment and depreciation

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.4 Investment properties

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

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

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

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

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

4.5 Impairment of non-financial assets

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.5 Impairment of non-financial assets – *continued*

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

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

4.6 Leases

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

(A) As a lessee

Allocation of consideration to components of a contract

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.6 Leases – *continued*

(A) As a lessee – continued

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use assets includes:

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.6 Leases – *continued*

(A) As a lessee – continued

Right-of-use assets – *continued*

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

Lease liabilities

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

The lease payments include:

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.6 Leases – *continued*

(A) As a lessee – continued

Lease liabilities – *continued*

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

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

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

Lease modifications

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.6 Leases – *continued*

(A) As a lessee – continued

Lease modifications – *continued*

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

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

COVID-19-Related Rent Concessions

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

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

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

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

The Amendments to HKFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2022" extends the availability of the practical expedient set out in paragraph 46A of HKFRS 16 to rent concessions on or before 30 June 2022.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.6 Leases – *continued*

(B) As a lessor

Classification and measurement of leases

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

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

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

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

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

Allocation of consideration to components of a contract

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.6 Leases – *continued*

(B) As a lessor – continued

Refundable rental deposits

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

Lease modification

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

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

4.7 Financial instruments

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

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

Financial assets

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.7 Financial instruments – *continued*

Financial assets – continued

Classification and measurement of financial assets

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.7 Financial instruments – *continued*

Financial assets – continued

Classification and measurement of financial assets – *continued*

A financial asset is classified as held for trading if:

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

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

(i) Financial assets at amortised cost

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

Effective interest method

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.7 Financial instruments – *continued*

Financial assets – continued

Classification and measurement of financial assets – *continued*

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

Effective interest method – *continued*

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

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

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

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

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

(ii) Financial assets at FVPL

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.7 Financial instruments – *continued*

Financial assets – continued

Derecognition of financial assets

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

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.7 Financial instruments – *continued*

Financial liabilities and equity instruments – continued

Financial liabilities

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

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

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

Financial liabilities subsequently measured at amortised cost

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

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

Derecognition of financial liabilities

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.7 Financial instruments – *continued*

Offsetting of financial instruments

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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

(iv) Write-off policy

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

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

(v) Measurement and recognition of ECL

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

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

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

- Nature of financial instruments (i.e. the Group's trade receivables, contract assets, and finance lease receivables are each assessed as a separate group. Deposits paid and other receivables, and cash and cash equivalent are assessed for ECL on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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

(v) Measurement and recognition of ECL – continued

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

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

4.9 Cash and cash equivalents

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

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

4.10 Income tax

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.10 Income tax – *continued*

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.10 Income tax – *continued*

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

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

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

4.11 Revenue recognition

Revenue from contracts with customers

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.11 Revenue recognition – *continued*

Revenue from contracts with customers – continued

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

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

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

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

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

Contracting

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

Interior design and decoration work

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.11 Revenue recognition – *continued*

Revenue from contracts with customers – continued

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

Property management fee income and value-adding services

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

Point in time revenue recognition:

Commodity trading

Principal versus agent

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.11 Revenue recognition – *continued*

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

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

Gross rental income

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

Finance income on finance lease receivables

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

Net income from sub-leasing right-of-use assets

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

Interest income

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

4.12 Foreign currency translation

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.12 Foreign currency translation – *continued*

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

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

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

4.13 Employee benefits

(a) Contributions to defined contribution retirement plans

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.13 Employee benefits – *continued*

(a) Contributions to defined contribution retirement plans – continued

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

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

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

(b) Termination benefits

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.13 Employee benefits – *continued*

(c) Employee leave entitlements

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

(d) Bonus plans

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

4.14 Government grants

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

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

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

4.15 Share capital

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.16 Provisions and contingent liabilities

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

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

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

4.17 Dividend distribution

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

4.18 Borrowing costs

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4.19 Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

(a) Revenue recognition on contracts for contracting works

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

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – *continued*

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

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

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

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

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

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – *continued*

(d) Leases – Estimating the IBR

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

(e) Principal and agent consideration in revenue recognition

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

6. REVENUE AND SEGMENT INFORMATION

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

	2022 HK$'000	2021 HK$'000
Revenue from property sub-leasing:		
Gross rental income	**59,055**	64,475
Finance income on finance lease receivables	**9,696**	8,869
Net income from sub-leasing right-of-use assets	**21,003**	10,938
Revenue from contracts with customers within the scope of HKFRS 15, types of goods or services:		
Contracting	**700**	8,200
Interior design and decoration work	**15,205**	57,423
Property management fee income and value-adding services	**11,881**	12,094
Commission income from commodity trading	**5,464**	4,861
	123,004	166,860

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

6. REVENUE AND SEGMENT INFORMATION – *continued*

Segment reporting

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

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

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

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

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

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

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

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

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

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

6. REVENUE AND SEGMENT INFORMATION – *continued*

Segment reporting – *continued*

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

	Contracting HK$'000	Interior design and decoration work HK$'000	Property sub-leasing and management service HK$'000	Commodity trading HK$'000	Total HK$'000
Year ended 31 July 2022					
Revenue from external customers and disaggregated by timing of revenue recognition					
Over time	700	15,205	101,635	–	117,540
Point in time	–	–	–	5,464	5,464
	700	15,205	101,635	5,464	123,004
Reportable segment (loss)/profit	(30)	1,038	14,517	3,228	18,753
Unallocated corporate income					399
Unallocated corporate expenses					(9,909)
Profit before income tax					9,243
Income tax expense					(5,041)
Profit for the year					4,202
Included in segment results are:					
Unwinding of imputed interest on shareholder's loan (Note 8)	–	–	400	–	400
Depreciation of investment properties	–	–	34,338	–	34,338
Depreciation of property, plant and equipment	–	23	378	3	404
(Reversal of)/provision for impairment loss on trade receivables, contract assets and finance lease receivables, net	(9)	658	8,340	–	8,989
At 31 July 2022					
Segment assets	2	10,400	159,248	24,669	194,319
Cash and cash equivalents					59,296
Unallocated assets					2,850
Consolidated total assets					256,465
Included in segment assets are:					
Additions to non-current assets	–	–	30,765	11	30,776
Segment liabilities	–	5,525	118,946	53	124,524
Tax payable					1,452
Deferred tax liabilities					628
Unallocated liabilities					6,660
Consolidated total liabilities					133,264

6. REVENUE AND SEGMENT INFORMATION – *continued*

Segment reporting – *continued*

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

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

6. REVENUE AND SEGMENT INFORMATION – *continued*

Geographical information

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

	Revenue		**Non-current assets**	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**3,274**	30,630	**7,337**	321
The PRC	**119,730**	136,230	**73,473**	130,290
	123,004	166,860	**80,810**	130,611

Information about major customers

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

	2022	2021
	HK$'000	HK$'000
Customer A[1]	**34,318**	48,503
Customer B	**N/A[2]**	21,452

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

2 The customer contributed less than 10% of the total revenue for the year ended 31 July 2022.

7. OTHER INCOME AND GAINS

	2022 HK$'000	2021 HK$'000
Bank interest income	684	1,328
Gain on disposal of a subsidiary (Note 31)	–	1,296
Gain on derecognition upon termination of lease of investment properties and lease liabilities, net	3,262	408
Gain on lease modification	–	839
Rent concessions (Note (a))	2,641	3,141
Government grant (Note (b))	94	432
Tax relief on value-added tax (Note (c))	722	1,057
Others	44	76
	7,447	8,577

Notes:

(a) The amount represents concession rental from the landlords in relation to the compensation of lockdown of the PRC cities due to COVID-19 pandemic for the years ended 31 July 2022 and 2021. The concession does not constitute to the lease modification by applying practical expedient that meets the conditions in paragraph 46B of HKFRS 16 as disclosed in Note 4.6.

(b) The government grants recognised for the years ended 31 July 2022 and 2021 were the approved subsidies from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme as promulgated by the Government of the Hong Kong Special Administrative Region of the PRC. As at 31 July 2022 and 2021, there are no unfulfilled conditions or other contingencies attached to these grants.

(c) Following the announcements issued by the China's State Council concerning the value-added tax ("**VAT**"), the PRC government has announced that for the period from 1 April 2019 to 31 December 2021, the taxpayers in specified industries are eligible for a 10% "Super deduction" by increasing their input VAT credits by 10%. Such changes were applied to several sectors including leasing industry, and the Group has an unconditional right to the above deduction when the application is approved by the relevant authorities. The PRC government further extended this policy to 31 December 2022 according to the announcement made in March 2022.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 HK$'000	2021 HK$'000
Interest on lease liabilities (Note 29(b))	13,657	15,867
Unwinding of imputed interest on loan from a shareholder (Note 25)	400	1,477
	14,057	17,344

9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2022 HK$'000	2021 HK$'000
Auditor's remuneration		
– Audit services	830	860
– Non-audit services (Note)	120	516
	950	1,376
Depreciation of property, plant and equipment* (Note 14)	404	789
Depreciation of investment properties (Note 15)	34,338	43,824
Depreciation of right-of-use assets (Note 16)	849	880
Direct operating expenses (including repairs and maintenance, depreciation of investment properties and depreciation of leasehold improvements) arising on rental-earning subleasing business	49,552	57,687
Loss on disposal of property, plant and equipment	203	–
Loss on lease modification	606	–
Sub-contracting costs recognised as an expense	9,587	50,710
Loss on derecognition upon termination of leases of finance lease receivables and lease liabilities, net	14,910	4,324
Expenses relating to short-term leases#	8,419	5,771
Employee benefits expense (including directors' emoluments (Note 10))**:		
– Salaries and allowances	9,222	9,072
– Retirement benefit scheme contributions (defined contribution scheme)	807	530
Other expenses##	–	419

9. PROFIT BEFORE INCOME TAX – *continued*

* Depreciation of property, plant and equipment of approximately HK$370,000 (2021: approximately HK$744,000) and approximately HK$34,000 (2021: approximately HK$45,000) has been included in cost of services and administrative and other operating expenses respectively.

** Employee benefits expense (including directors' emolument) of approximately HK$833,000 (2021: approximately HK$721,000) and approximately HK$9,196,000 (2021: approximately HK$8,881,000) has been included in cost of services and administrative and other operating expenses respectively.

\# Expenses relating to short-term leases of approximately HK$8,383,000 (2021: HK$5,750,000) and approximately HK$36,000 (2021: HK$21,000) has been included in cost of services and administrative and other expenses respectively.

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

Note:

Non-audit services for the year ended 31 July 2022 represented services provided by the Company's auditor for agreed-upon procedures regarding the Group's interim result.

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

10. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID INDIVIDUALS EMOLUMENTS

(a) Directors' and chief executive's emoluments

The remuneration of each director is set out below:

	Fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Employer's contribution to a retirement scheme HK$'000	Discretionary or performance-based bonuses HK$'000	Total HK$'000
Year ended 31 July 2022					
Executive directors					
Mr. Lin Ye ("Mr. Lin")	–	600	18	–	618
Mr. Au Siu Chung	–	648	18	–	666
Ms. Xiao Yi Liao Ge	–	582	18	–	600
Mr. Guo Junsheng (Note (iv))	–	18	–	–	18
Mr. Liu Guofei (Note (iii))	–	65	3	–	68
Ms. Li Lin (Note (iii))	–	43	2	–	45
Independent non-executive directors					
Ms. Kwong Ka Ki	200	–	–	–	200
Mr. Yu Hua Chang	120	–	–	–	120
Ms. Guo Liying	120	–	–	–	120
	440	1,956	59	–	2,455

10. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID INDIVIDUALS EMOLUMENTS – *continued*

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

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

Notes:

(i) Resigned on 1 May 2020

(ii) Resigned on 10 February 2021

(iii) Appointed on 27 May 2022 and resigned on 19 August 2022

(iv) Appointed on 17 December 2021 and resigned on 1 January 2022

During the year ended 31 July 2022, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2021: Nil). Neither the chief executive nor any of the directors of the Company has waived or agreed to waive any emoluments during the year ended 31 July 2022 (2021: Nil).

Salaries, allowances and benefits in kind paid to or for the executive directors of the Company are generally emoluments in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries. The independent non-executive directors emoluments show above were for their services as directors of the Company.

10. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID INDIVIDUALS EMOLUMENTS – *continued*

(b) Five highest paid individuals

The five individuals whose emoluments were highest in the Group include three (2021: four) directors of the Company whose emoluments are disclosed above. The emoluments payable to the remaining two (2021: one) individual during the year are as follows:

	2022	2021
	HK$'000	HK$'000
Short-term benefits:		
Salaries, allowances and benefits in kind	**1,445**	592
Discretionary or performance-based bonuses	**–**	–
Post-employment benefits:		
Retirement benefit scheme contributions	**36**	17
	1,481	609

The emoluments fell within the following band:

	Number of individuals	
	2022	2021
Emolument band		
Nil – HK$1,000,000	**2**	1

During the year ended 31 July 2022, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office (2021: Nil).

11. INCOME TAX EXPENSE

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

No Hong Kong Profits Tax has been provided for the year in the consolidated financial statements as the Group has incurred losses in Hong Kong for the current year (2021: tax losses brought forward from previous years).

The PRC Enterprise Income Tax (the "**EIT**") is calculated at the rate of 25% prevailing in the PRC jurisdiction for the year ended 31 July 2022 (2021: 25%).

11. INCOME TAX EXPENSE – *continued*

	2022 HK$'000	2021 HK$'000
Current tax – the PRC EIT		
Charge for the year	**6,325**	8,619
Under/(over)-provision in respect of prior years	**1**	(612)
Deferred tax (Note 24)	**(1,285)**	(332)
Income tax expense	**5,041**	7,675

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

	2022 HK$'000	2021 HK$'000
Profit before income tax	**9,243**	24,720
Tax at the applicable rates in the tax jurisdictions concerned	**3,184**	6,971
Tax effect of income not taxable for tax purposes	**(18)**	(341)
Tax effect of expenses not deductible for tax purpose	**1,408**	1,973
Tax effect of deductible temporary differences not recognised	**103**	2
Utilisation of previously unrecognised tax losses	**–**	(75)
Tax effect of tax losses not recognised	**431**	–
Tax effect of tax concession	**(68)**	(243)
Under/(over)-provision in respect of prior years	**1**	(612)
Income tax expense	**5,041**	7,675

11. INCOME TAX EXPENSE – *continued*

At the end of the reporting period, the Group had unused tax losses of approximately HK$4,870,000 (2021: HK$3,610,000) available to offset against future profit sourced in Hong Kong. Such unused tax losses are subject to the approval of the Hong Kong Inland Revenue Department and can be carried forward indefinitely.

Also, at the end of the reporting period, the Group had unused tax losses of approximately RMB743,000 (equivalent to approximately HK$894,000) (2021: Nil) available to offset against future profit sourced in the PRC. Such unused tax losses are subject to the approval of the PRC tax authorities and can be carried forward for five years when the corresponding loss was incurred.

No deferred tax assets have been recognised due to the unpredictability of future profit streams.

Other than as disclosed in Note 24, the Group does not have deferred tax assets and liabilities in the consolidated financial statements as the Group did not have other material temporary differences arising between tax bases of assets and liabilities and their carrying amounts as at 31 July 2022 (2021: Same).

12. EARNINGS PER SHARE

	2022 **HK$'000**	2021 HK$'000
Profit attributable to owners of the Company	**4,202**	17,050

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

There were no dilutive potential ordinary shares during the year ended 31 July 2022 (2021: Nil) and therefore, the amount of diluted earnings per share is same as the amount of basic earnings per share.

13. DIVIDENDS

No interim dividend was declared for the year (2021: Nil).

The board of directors of the Company did not recommend a payment of final dividend for the year ended 31 July 2022 (2021: Nil).

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Total HK$'000
Cost			
At 1 August 2020	2,460	2,020	4,480
Additions	147	13	160
Exchange realignment	201	86	287
At 31 July 2021 and 1 August 2021	2,808	2,119	4,927
Additions	–	11	11
Disposal	–	(863)	(863)
Written-off	–	(418)	(418)
Exchange realignment	(84)	(7)	(91)
At 31 July 2022	**2,724**	**842**	**3,566**
Accumulated depreciation			
At 1 August 2020	1,794	1,372	3,166
Charge for the year (Note 9)	503	286	789
Exchange realignment	150	46	196
At 31 July 2021 and 1 August 2021	2,447	1,704	4,151
Charge for the year (Note 9)	264	140	404
Disposal	–	(657)	(657)
Written-off	–	(418)	(418)
Exchange realignment	(82)	(5)	(87)
At 31 July 2022	**2,629**	**764**	**3,393**
Net carrying amount			
At 31 July 2022	**95**	**78**	**173**
At 31 July 2021	361	415	776

15. INVESTMENT PROPERTIES

	Leased properties under operating lease HK$'000
Cost	
At 1 August 2020	133,195
Additions	1,239
Derecognised upon termination of leases	(5,117)
Derecognised upon transfer to finance lease receivables	(666)
Exchange realignment	11,528
At 31 July 2021 and 1 August 2021	140,179
Additions	30,765
Derecognised upon termination of leases	(72,545)
Exchange realignment	(3,145)
At 31 July 2022	**95,254**
Accumulated depreciation	
At 1 August 2020	37,258
Charge for the year (Note 9)	43,824
Derecognised upon termination of leases	(3,133)
Derecognised upon transfer to finance lease receivables	(216)
Exchange realignment	4,140
At 31 July 2021 and 1 August 2021	81,873
Charge for the year (Note 9)	34,338
Derecognised upon termination of leases	(45,971)
Exchange realignment	(2,136)
At 31 July 2022	**68,104**
Net carrying amount	
At 31 July 2022	**27,150**
At 31 July 2021	58,306
Fair value at Level 3 hierarchy	
At 31 July 2022	**40,789**
At 31 July 2021	78,010

At 31 July 2022, an independent qualified professional valuer not connected to the Group which has appropriate professional qualifications and recent experience in the valuations of similar properties in the relevant locations, assessed the fair values of the investment properties. As at 31 July 2022, certain significant inputs used in the determination of fair value of the investment properties are arrived at by reference to certain significant unobservable market data, the fair value of the investment properties of the Group is included in level 3 of the fair value measurement hierarchy (2021: Same).

15. INVESTMENT PROPERTIES – *continued*

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

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

There were no changes to the valuation techniques during the year ended 31 July 2022 (2021: Same).

16. RIGHT-OF-USE ASSETS

	Office premises HK$'000
Cost	
At 1 August 2020	1,709
Derecognition upon termination of leases	(46)
At 31 July 2021 and 1 August 2021	1,663
Additions	1,742
Expiry of lease term	(1,663)
At 31 July 2022	**1,742**
Accumulated depreciation	
At 1 August 2020	554
Charge for the year (Note 9)	880
Derecognition upon termination of leases	(20)
At 31 July 2021 and 1 August 2021	1,414
Charge for the year (Note 9)	849
Expiry of lease term	(1,663)
At 31 July 2022	**600**
Net carrying amount	
At 31 July 2022	**1,142**
At 31 July 2021	249

16. RIGHT-OF-USE ASSETS – *continued*

	2022 HK$'000	2021 HK$'000
Expenses relating to short-term leases (Note 9)	**(8,419)**	(5,771)
Rent concessions (Note 7)	**2,641**	3,141
Interest on lease liabilities (Note 8)	**(13,657)**	(15,867)
Depreciation of investment properties (Note 9)	**(34,338)**	(43,824)
Depreciation of right-of-use assets (Note 9)	**(849)**	(880)
Leases receipts of finance lease receivables	**58,398**	52,520
Total cash outflow for leases (excluding expense relating to short-term leases)	**(101,368)**	(96,752)
Total cash inflow of leases receipt under operating lease	**58,541**	60,059

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

Note:

The Group leases various office premises for its operations. Lease contracts are entered into for fixed term of 6 months to 4 years (2021: 6 months to 4 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The Group regularly entered into short-term leases for office premises. As at 31 July 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses disclosed above (2021: Same).

17. FINANCE LEASE RECEIVABLES

Certain leased properties under subleases were accounted for as finance leases receivables and have remaining lease terms ranging from 1 to 4 years (2021: 1 to 9 years). Finance lease receivables are comprised of the followings:

	2022 HK$'000	2021 HK$'000
Amounts receivable under finance leases:		
Year 1	60,466	58,972
Year 2	28,620	34,918
Year 3	8,727	15,662
Year 4	3,155	7,923
Year 5 and afterwards	–	6,406
Undiscounted lease payments	100,968	123,881
Less: unearned finance income	(6,754)	(13,292)
Present value of lease payments receivable	94,214	110,589
Less: Allowance for credit losses (Note 35(ii))	(8,073)	(83)
Net investment in the leases	86,141	110,506
Undiscounted lease payments analysed as:		
Recoverable within 12 months	60,466	58,972
Recoverable after 12 months	40,502	64,909
	100,968	123,881
Net investment in the lease analysed as:		
Year 1	60,466	58,972
Less: unearned finance income within 12 months	(4,326)	(7,044)
Recoverable within 12 months	56,140	51,928
Less: Allowance for credit losses	(5,635)	(50)
	50,505	51,878
Year 2–4	40,502	64,909
Less: unearned finance income after 12 months	(2,428)	(6,248)
Recoverable after 12 months	38,074	58,661
Less: Allowance for credit losses	(2,438)	(33)
	35,636	58,628

17. FINANCE LEASE RECEIVABLES – *continued*

The Group's finance lease receivables are leased properties in relation to finance lease used in sub-leasing business. The directors of the Company estimate the loss allowance on finance lease receivables at the end of the reporting period at an amount equal to lifetime ECL. HK$17,926,000 (2021: None) of the finance lease receivables at the end of the reporting period is past due, and taking into account the historical default experience and the future prospects of the industries in which the lessees operate, the directors of the Company consider that finance lease receivable of approximately HK$8,073,000 (2021: HK$83,000) is impaired (Note 35(ii)) as at 31 July 2022. As at 31 July 2022, the Group held the deposits received amounted to approximately HK$7,869,000 (2021: HK$10,788,000) in respect of the finance lease receivables from lessees, in which HK$1,375,000 (2021: Nil) were related the finance lease receivables which were credit-impaired.

18. GOODWILL

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

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

The recoverable amount of such CGU as at 31 July 2022 has been determined based on a value-in-use (2021: value-in-use) calculation. The calculation uses cash flow projections based on most recent financial budgets approved by management covering a five-year period as estimated by the Group. Cash flows beyond the projection period are extrapolated using an estimated growth rate of 2% (2021: 2%). The pre-tax rate used to discount the forecast cash flows is 13.98% (2021: 15.66%).

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

As at 31 July 2022, the directors of the Company determined that there was no impairment loss on goodwill (2021: Nil).

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

19. TRADE RECEIVABLES AND CONTRACT ASSETS

	2022 HK$'000	2021 HK$'000
Trade receivables, gross	18,626	15,732
Less: Allowance for credit losses (Note 35(ii))	(1,104)	(106)
Trade receivables, net (Note (a))	17,522	15,626
Contract assets, gross	–	8,694
Less: Allowance for credit losses (Note 35(ii))	–	(9)
Contract assets, net (Note (b))	–	8,685
Total	17,522	24,311

Notes:

(a) **Trade receivables**

	2022 HK$'000	2021 HK$'000
Represented by:		
Property sub-leasing and management service	10,079	3,474
Contracting	2	2,890
Interior design and decoration work	7,441	9,262
	17,522	15,626

Normally 90 days of credit period is granted to certain customers under Hong Kong business and no credit period is granted to the customers under the PRC business (2021: Same).

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

	2022 HK$'000	2021 HK$'000
1–30 days	8,288	13,604
31–60 days	1,680	200
61–90 days	2,339	–
91–365 days	3,721	1,822
Over 365 days	1,494	–
	17,522	15,626

19. TRADE RECEIVABLES AND CONTRACT ASSETS – *continued*

Notes: – *continued*

(a) Trade receivables – *continued*

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

	2022 HK$'000	2021 HK$'000
Not yet past due	4,919	2,789
Past due for less than 1 month	3,369	12,637
Past due for more than 1 month but less than 2 months	1,680	200
Past due for more than 2 months but less than 3 months	2,339	–
Past due for more than 3 months but less than 1 year	3,721	–
Past due for more than 1 year	1,494	–
	17,522	15,626

As at 31 July 2022, trade receivables with aggregate carrying amount of approximately HK$12,603,000 (2021: approximately HK$12,837,000) were past due. Out of the past due balances, HK$5,215,000 (2021: none) has been past due over 90 days. The past due balances over 90 days for the year ended 31 July 2022 is not considered as in default due to long and on-going business relationship, good repayment record and good credit quality from these customers. As at 31 July 2022, the Group held the deposits received amounted to approximately HK$5,073,000 (2021: HK$2,043,000) in respect of trade receivables of rental income from the lessees.

Details of impairment assessment of trade receivables at the reporting date are set out in Note 35(ii).

(b) Contract assets

	2022 HK$'000	2021 HK$'000
Retention sum for contract works (Note (i))	–	739
Unbilled revenue of contracts (Note (ii))	–	7,946
	–	8,685
Represented by:		
Interior design and decoration work	–	8,685

19. TRADE RECEIVABLES AND CONTRACT ASSETS – *continued*

Notes: – *continued*

(b) Contract assets – *continued*

Notes:

(i) Certain percentage of the progress settlement are withheld by the customer, which was subject to a maximum amount calculated as the prescribed percentage of the contract sum. Retention sum for contract works was settled in accordance with the terms of the respective contracts. Retention money was included in contract assets until the end of the retention period as the Group's entitlement to final payment after passing inspection at the completion of the contract works. The relevant amount of contract assets was unsecured and interest-free and reclassified to trade receivables when the final inspection passed.

(ii) A contract asset, net of contract liability related to the same contract, is recognised over the period in which the services are performed, representing the Group's rights to consideration for work completed to-date and not billed because the rights are conditional upon achieving the agreed milestones in the contract by the Group and the work is pending for the certification by the customers. The contract assets are transferred to trade receivables when the rights become unconditional, at which time the amounts become billable to the customer. The Group typically transfer contract assets to trade receivables upon achieving the agreed milestones in the contracts.

	2022 **HK$'000**	2021 HK$'000
At at 1 August, gross	**7,955**	20,223
Decrease in contract assets as a result of reclassification to trade receivables	**(9,017)**	(31,468)
Increase in contract assets as attributable to performance obligations satisfied during the year	**1,062**	19,200
As at 31 July, gross	**–**	7,955
Less: Allowance for credit losses (Note 35(ii))	**–**	(9)
As at 31 July, net	**–**	7,946

In the consolidated statement of financial position, these contract assets were classified as current assets as the Group expects to realise them in its normal operating cycle.

Details of impairment assessment of contract assets at the reporting date are set out in Note 35(ii).

20. PREPAYMENTS, DEPOSITS PAID AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Current		
Prepayments (Note (a))	**35,309**	4,526
Deposits paid (Note (c))	**11,720**	13,830
Other receivables (Note (b))	**1,303**	6,601
	48,332	24,957
Non-current		
Deposits paid (Note (c))	**16,479**	12,422
Total	**64,811**	37,379

Notes:

(a) At 31 July 2022, balance includes an amount of approximately HK$7,603,000 (2021: approximately HK$1,998,000) which relates to prepaid rentals to certain landlords for leasing of commercial properties in relation to the operating of property sub-leasing business and an amount of approximately HK$24,626,000 (2021: approximately HK$44,000) which relates to prepayment to supplier in relation to the operating of commodity trading in the PRC.

At 31 July 2022, balance also includes an amount of approximately HK$3,080,000 (2021: approximately HK$583,000) which relates to prepaid costs to certain sub-contractors in relation to the contracts for contracting and interior design and decoration works entered into by the Group, which would be utilised as sub-contracting costs incurred within the next financial year.

(b) As at 31 July 2021, balance amounting to approximately HK$5,395,000 was due from the Buyer (as defined in Note 30) which was arisen from the disposal of the New Brio Engineering Limited ("NBE") by the Group (Note 31). The amount was non-interest bearing and no fixed repayment terms. The directors of the Company considered that the ECL was minimal as at 31 July 2021 as the credit risk of the Buyer is considered as low by referring to its financial position. During the year ended 31 July 2022, the balance has been fully settled.

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

Details of impairment assessment of deposits paid and other receivables at the reporting date are set out in Note 35(ii).

21. CASH AND CASH EQUIVALENTS

	2022 HK$'000	2021 HK$'000
Cash at banks	54,580	49,188
Bank deposits	4,656	63,633
Cash on hand	60	9
Cash and cash equivalents	59,296	112,830

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

	2022 HK$'000	2021 HK$'000
HK$	24,134	37,813
RMB	35,162	75,017
	59,296	112,830

As at 31 July 2022, included in cash and cash equivalents of the Group is approximately HK$35,162,000 (2021: HK$75,017,000) of cash at banks and bank deposits denominated in RMB placed with the banks in the PRC. RMB is not a freely convertible currency; however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through the banks authorised to conduct foreign exchange business in the PRC.

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

Details of impairment assessment at the reporting date are set out in Note 35(ii).

22. TRADE AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	2022 HK$'000	2021 HK$'000
Current		
Trade payables (Note (a))	13,578	18,386
Receipts in advance	826	2,122
Deposits received (Note (b))	7,017	14,022
Accruals and other payables	8,542	4,268
	29,963	38,798
Non-current		
Deposits received (Note (b))	9,339	10,924
Total	39,302	49,722

Notes:

(a) **Trade payables**

	2022 HK$'000	2021 HK$'000
Represented by:		
Contracting	–	2,292
Interior design and decoration work	13,578	16,094
	13,578	18,386

No credit period is granted by suppliers (2021: Same). The ageing analysis of trade payables based on the invoice date is as follows:

	2022 HK$'000	2021 HK$'000
0–30 days	4,603	4,396
31–60 days	1,469	157
61–90 days	1,765	1,710
Over 90 days	5,741	12,123
	13,578	18,386

22. TRADE AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS – *continued*

Notes: – *continued*

(a) Trade payables – *continued*

Retention payables amounted to approximately HK$860,000 (2021: HK$1,025,000) to sub-contractors of contract works under interior design and decoration work services are interest-free and payable by the Group after the completion of maintenance of the relevant contracts or in accordance with the terms specified in the relevant contracts, generally at 1 year from the completion date of the respective service contracts.

(b) Deposits received

The deposits mainly represent the rental deposits received from the lessees under the business segment of property sub-leasing. The deposits are refundable to the lessees at the end of the lease terms.

23. LEASE LIABILITIES

The following table shows the remaining contractual matures of the Group's lease liabilities at the end of reporting period:

	2022		2021	
	Total minimum lease payments HK$'000	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000	Present value of the minimum lease payments HK$'000
Within one year	53,161	47,661	79,134	68,630
After one year but within two years	36,768	33,815	49,611	44,437
After two years but within five years	10,868	10,406	42,971	38,507
	100,797	91,882	171,716	151,574
Less: total future interest expenses	(8,915)		(20,142)	
Present value of lease liabilities	91,882		151,574	
Less: Portion classified as current	(47,661)		(68,630)	
Non-current portion	44,221		82,944	

The weighted average lease's IBR applied by the Group ranged from 6.60% to 12.69% (2021: 6.53% to 12.69%) per annum.

24. DEFERRED TAX LIABILITIES

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

	Leases HK$'000	Fair value arising from business combination HK$'000	Provision for impairment of trade receivables, contract assets and financial lease receivables HK$'000	Total HK$'000
At as 1 August 2020	2,140	124	–	2,264
Credited to consolidated profit or loss (Note 11)	(237)	(95)	–	(332)
Exchange realignment	181	10	–	191
At 31 July 2021 and 1 August 2021	2,084	39	–	2,123
Charged/(credited) to consolidated profit or loss (Note 11)	**805**	**(39)**	**(2,051)**	**(1,285)**
Exchange realignment	**(150)**	**–**	**(60)**	**(210)**
At 31 July 2022	**2,739**	**–**	**(2,111)**	**628**

Note:

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred tax has not been provided for in these consolidated financial statements in respect of temporary differences attributable to retained earnings of the PRC subsidiaries amounting to approximately HK$71,820,000 (2021: approximately HK$53,024,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

25. LOAN FROM A SHAREHOLDER

On 11 October 2019, Mr. Lin, who is a director and single largest shareholder with approximate 28.22% equity interest of the Company as at 31 July 2022 and 2021, signed a letter of profit guarantee (the "**Profit Guarantee**") in favour of the Company pursuant to which Mr. Lin irrevocable warranted and guaranteed that (i) the audited consolidated earnings before interest, taxes, depreciation and amortisation (the "**EBITDA**") of the Group for the financial year ending 31 July 2020 would be not less than HK$13,800,000; and (ii) the audited consolidated EBITDA of the Group for the financial year ending 31 July 2021 would be not less than HK$13,800,000.

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

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

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

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

As of 27 January 2022, the Group repaid the remaining portion of HK$15,000,000 (equivalent to approximately RMB12,178,500) to Mr. Lin.

25. LOAN FROM A SHAREHOLDER – *continued*

Movement has shown as below:

	HK$'000
At 1 August 2020	13,123
Unwinding of imputed interest (Note 8)	1,477
At 31 July 2021 and 1 August 2021	14,600
Unwinding of imputed interest (Note 8)	**400**
Repayment to a shareholder	**(15,000)**
At 31 July 2022	**–**

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

26. SHARE CAPITAL

	Number of ordinary shares '000	Ordinary shares HK$'000
Ordinary shares of HK$0.01 each:		
Authorised:		
As at 1 August 2020, 31 July 2021, 1 August 2021 and 31 July 2022	2,000,000	20,000
Issued and fully paid:		
As at 1 August 2020, 31 July 2021, 1 August 2021 and 31 July 2022	411,200	4,112

27. SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was adopted pursuant to a resolution passed on 19 November 2014 as to attract and retain the best available personnel and to provide additional incentive to the eligible participants under the Scheme.

Under the Scheme, the directors of the Company may at their absolute discretion and subject to the terms of the Scheme, grant options to any employees (full-time or part-time), directors, substantial shareholders, consultants or advisors, distributors, contractors, suppliers, agents, customers, business partners or service provider of the Group, to subscribe for shares of the Company. The eligibility of any participants to the grant of any options shall be determined by the directors of the Company from time to time on the basis of participant's contribution or potential contribution to the development and growth of the Group.

Under the Scheme, the maximum number of shares issuable upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company as from the adoption date must not in aggregate exceed 41,120,000 shares, being 10% of all the shares in issue upon the date on which the shares are listed and permitted to be dealt in the Stock Exchange as well as on the date of this annual report. The 10% limit may be refreshed at any time by obtaining approval of the Company's shareholders in general meeting provided that the total number of Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share options schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit. The aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share options schemes of the Company if this will result in the limit being exceeded.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) under the Scheme or any other share option schemes of the Company in any 12-month period up to date of grant shall not exceed 1% of the shares of the Company in issue. Where any further grant of options to a participant under the Scheme would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such participant and his/her close associates abstaining from voting.

27. SHARE OPTION SCHEME – *continued*

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective close associates must be approved by the independent non-executive directors of the Company (excluding any independent non-executive director who is the grantee). Where any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective close associates would result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the Scheme and any other share option schemes of the Company to such person in any 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the shares of the Company in issue and having an aggregate value in excess of HK$5,000,000 must be approved by the Company's shareholders at the general meeting of the Company, with voting to be taken by way of poll.

The offer of a grant of share options might be accepted in writing within 7 days from the date of the offer. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the directors of the Company may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. A nominal consideration of HK$1 is payable on acceptance of the grant of an option with a remittance in favour of the Company within such time as may be specified in the offer (which shall not be later than 7 days from the date of the offer).

The subscription price shall be a price solely determined by the Board of Directors of the Company and notified to a participant and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the offer date; and (iii) the nominal value of the Company's share on the offer date.

The Scheme shall be valid and effective for a period of ten years commencing on 19 November 2014, subject to early termination provisions contained in the Scheme.

No share options were granted since the adoption of the Scheme and there were no share option outstanding as at 31 July 2022 (2021: Nil).

28. RESERVES

Share premium

Share premium account of the Group includes the premium arising from issue of shares of the Company at a premium.

Other reserves

(i) Merger reserve

Merger reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the share capital of its subsidiaries arising from the group reorganisation.

(ii) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 4.12.

(iii) Statutory reserve

In accordance with the relevant PRC regulations, the Group's PRC subsidiaries are required, at the discretion of their directors, to appropriate a certain percentage of their profit after tax, if any, to the statutory reserve fund for the future development and capital expenditure on staff welfare facilities purposes.

28. RESERVES – *continued*

Other reserves – *continued*

(iv) Other reserve

On 10 October 2019, the shareholder's loan of aggregated amount of HK$30,000,000 was advanced from a shareholder of the Company. The shareholders' loan is unsecured, interest-free and would be repayable within five business days after the publication of the Company of the annual results announcement for the financial year ended 31 July 2021. The shareholder's loan is discounted at inception as detailed in Note 25. The difference between the principal amount and discounted amount at the drawdown date was deemed as capital contribution from the shareholder to the Company and recognised in other reserve.

	Merger reserve HK$'000	Exchange fluctuation reserve HK$'000	Statutory reserve HK$'000	Other reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 August 2020	(494)	(643)	3,330	6,565	61,369	70,127
Profit for the year	–	–	–	–	17,050	17,050
Other comprehensive income for the year						
Exchange differences on translation of financial statements of foreign operations	–	6,607	–	–	–	6,607
Total comprehensive income for the year	–	6,607	–	–	17,050	23,657
Transfer to statutory reserve	–	–	2,707	–	(2,707)	–
At 31 July 2021 and 1 August 2021	(494)	5,964	6,037	6,565	75,712	93,784
Profit for the year	–	–	–	–	4,202	4,202
Other comprehensive loss for the year						
Exchange differences on translation of financial statements of foreign operations	–	(3,291)	–	–	–	(3,291)
Total comprehensive (loss)/income for the year	–	(3,291)	–	–	4,202	911
At 31 July 2022	**(494)**	**2,673**	**6,037**	**6,565**	**79,914**	**94,695**

29. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Notes	2022 HK$'000	2021 HK$'000
Profit before income tax		9,243	24,720
Adjustments for:			
Depreciation of investment properties	9	34,338	43,824
Depreciation of property, plant and equipment	9	404	789
Depreciation of right-of-use assets	9	849	880
Finance costs	8	14,057	17,344
Loss on derecognition upon termination of leases of finance lease receivables and lease liabilities, net	9	14,910	4,324
Loss on derecognition of investment properties upon transfer to finance lease receivables		–	28
Write-off of deposit		–	38
Gain on derecognition upon termination of leases of investment properties and lease liabilities, net	7	(3,262)	(408)
Rent concessions	7	(2,641)	(3,141)
Provision for/(reversal of) impairment losses on trade receivables, contract assets and financial lease receivables, net	35(ii)	8,989	(164)
Interest income	7	(684)	(1,328)
Gain on disposal of a subsidiary	7	–	(1,296)
Loss/(gain) on lease modification	7, 9	606	(839)
Loss on disposal of property, plant and equipment	9	203	–
Operating profit before working capital changes		77,012	84,771
Decrease in contract assets		8,694	13,715
(Increase)/decrease in trade receivables		(3,802)	6,759
Decrease in finance lease receivables		25,281	36,894
(Increase)/decrease in prepayment, deposits paid and other receivables		(26,389)	2,155
Decrease in trade and other payables and deposits received		(9,110)	(14,933)
Decrease in restricted cash		–	1,635
Net cash generated from operations		71,686	130,996

29. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS – *continued*

(b) Reconciliation of liabilities from financing activities

The table below details changes in the Group's major liabilities from financing activities, including both cash and non-cash changes, if any.

	Lease liabilities HK$'000	Loan from a shareholder HK$'000	Total HK$'000
At 1 August 2020	182,361	13,123	195,484
Changes from financing activities:			
Payment of principal portion of lease liabilities	(80,885)	–	(80,885)
Payment of interest portion of lease liabilities	(15,867)	–	(15,867)
Total changes from financing cash flows	(96,752)	–	(96,752)
Other changes			
Addition of lease liabilities	48,218	–	48,218
Derecognition upon termination of lease of investment properties, finance lease receivables and lease liabilities	(14,878)	–	(14,878)
Lease modification	5,059	–	5,059
Rent concessions (Note 7)	(3,141)	–	(3,141)
Interest expenses on lease liabilities (Note 8)	15,867	–	15,867
Unwinding of imputed interest on loan from a shareholder (Note 8)	–	1,477	1,477
Exchange realignment	14,840	–	14,840
Total other changes	65,965	1,477	67,442
At 31 July 2021	151,574	14,600	166,174

29. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS – *continued*

(b) Reconciliation of liabilities from financing activities – *continued*

	Lease liabilities	Loan from a shareholder	Total
	HK$'000	HK$'000	HK$'000
At 1 August 2021	**151,574**	**14,600**	**166,174**
Changes from financing activities:			
Repayment to a shareholder	–	(15,000)	(15,000)
Payment of principal portion of lease liabilities	(87,711)	–	(87,711)
Payment of interest portion of lease liabilities	(13,657)	–	(13,657)
Total changes from financing cash flows	(101,368)	(15,000)	(116,368)
Other changes			
Addition of lease liabilities	118,552	–	118,552
Derecognition upon termination of lease of investment properties, finance lease receivables and lease liabilities	(84,319)	–	(84,319)
Lease modification	(595)	–	(595)
Rent concessions (Note 7)	(2,641)	–	(2,641)
Interest expenses on lease liabilities (Note 8)	13,657	–	13,657
Unwinding of imputed interest on loan from a shareholder (Note 8)	–	400	400
Exchange realignment	(2,978)	–	(2,978)
Total other changes	41,676	400	42,076
At 31 July 2022	**91,882**	**–**	**91,882**

30. SUBSIDIARIES

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries, the particulars of which are set forth as below:

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Issued and paid up share capital	Percentage of ownership interest held (directly and indirectly) by the Company as at 31 July 2022	2021
Directly held					
KSL Enterprises Limited	The BVI, limited liability company	Investment holding in Hong Kong	Unit States dollars ("US$")1	**100%**	100%
Focus Business Consultants Investment Limited	The BVI, limited liability company	Investment holding in Hong Kong	US$100	**100%**	100%
Fortune Around Limited	The BVI, limited liability company	Investment holding in Hong Kong	US$1	**100%**	100%
Upscale Century Limited	The BVI, limited liability company	Investment holding in Hong Kong	US$1	**100%**	100%
Indirectly held					
New Brio Associates Limited	Hong Kong, limited liability company	Provision of civil engineering consulting services in Hong Kong	HK$10,000	**100%**	100%
Harbour Gain Development Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	HK$1	**100%**	100%
KSL Engineering Limited	Hong Kong, limited liability company	Provision of contracting, interior design and decoration and project management services in Hong Kong	HK$10,000	**100%**	100%
Sky Planner Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	HK$1	**100%**	100%
NBE (Note)	Hong Kong, limited liability company	Provision of contracting and interior design and decoration services in Hong Kong	HK$1,000,000	**–**	–
Shenzhen Zhongshenguotou Assets Management Company Limited# (深圳中深國投資產管理有限公司) (**"ZSGT"**)	The PRC, limited liability company	Provision of interior design and decoration services and property sub-leasing in the PRC	RMB10,000,000	**100%**	100%
Shenzhen Fuqingyuan Technology Limited# (深圳市福清源科技有限公司) (**"Fuqingyuan"**)	The PRC, limited liability company	Investment holding in the PRC	RMB5,000,000	**100%**	100%
Guangzhou Desheng Technology Limited# (廣州市得昇科技有限公司) (**"Desheng"**)	The PRC, limited liability company	Provision of commodity trading arrangement services in the PRC	RMB10,000,000	**100%**	100%

For identification purpose only

30. SUBSIDIARIES – *continued*

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

Note:

On 30 December 2020, the Group entered into the sales and purchase agreement to dispose of its entire equity interest in NBE, a 51% indirectly owned subsidiary which is principally engaged in the provision of contracting and interior design and decoration services in Hong Kong, at a consideration of HK$510,000 to 深圳深南裝飾工程公司 (Shenzhen Shennan Decoration Engineering Co., Ltd#), an independent third party (the "**Buyer**"). The disposal was completed on 30 December 2020 ("**Disposal Date**"), and since then, the Group has no equity interest and control over NBE. Gain on disposal of a subsidiary of approximately HK$1,296,000 was recognised as "other income and gains" in the consolidated profit or loss during the year ended 31 July 2021. NBE has material non-controlling interest ("**NCI**") before the disposal. Summarised financial information in relation to NBE for the period from 1 August 2020 to the Disposal Date, before intra-group eliminations, is presented below:

	NBE 2021 HK$
NCI percentage	49%
As at Disposal Date	
Current assets	9,682
Current liabilities	(11,223)
Net liabilities	(1,541)
For the period from 1 August 2020 to Disposal Date	
Loss before income tax	(10)
Income tax expense	–
Loss and total comprehensive loss for the period	(10)
Loss and total comprehensive loss allocated to NCI	(5)
Cash flows from operating activities	(24)
Cash flows from financing activities	(789)
Net cash outflows	(813)

For identification purpose only

31. DISPOSAL OF A SUBSIDIARY

NBE

As disclosed in Note 30, the disposal of NBE was completed on 30 December 2020. Upon completion, NBE ceased to be a subsidiary of the Company and the results, assets and liabilities of NBE were ceased to be consolidated with those of the Group.

The net carrying amounts of assets/(liabilities) of NBE as at the completion date of the disposal were as follows:

	HK$'000
Trade receivables	496
Prepayments and other receivables	7,977
Contract assets	1,204
Cash and cash equivalents	5
Amount due to immediate holding company#	(5,465)
Trade payables and other payables	(5,064)
Contract liabilities	(430)
Tax payable	(264)
Net liabilities disposed of	(1,541)
NCI at the date of disposal	755
Gain on disposal of a subsidiary (Note 7)	1,296
Total consideration satisfied by cash	510
Assignment of amount due to immediate holding company to the Buyer#	5,465
	5,975
Net cash inflow arising on disposal:	
Cash consideration received	510
Cash and cash equivalents disposed of	(5)
Net cash inflow	505

On the date of disposal, the Buyer has taken up the amount due by NBE of approximately HK$5,465,000, such balance was reclassified to "Other receivables" (Note 20(b)) as at 31 July 2021 accordingly. During the year ended 31 July 2022, the balance has been fully settled.

32. COMMITMENTS

(a) Capital Commitment

The registered capital of Fuqingyuan is RMB5,000,000. The Group committed at 31 July 2021 to invest in Fuqingyuan, a wholly-owned subsidiary, amounting to RMB5,000,000 (equivalent to approximately HK$6,014,500). The capital injection was paid during the year ended 31 July 2022.

(b) Sub-leasing arrangements – the Group as intermediate lessor

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

Arrangement for sub-leasing to external tenants are negotiated for terms ranging from 3 months to 6 years (2021: 3 months to 6 years). As at the end of the reporting period, the Group had total future minimum sublease payments expected to be received under non-cancellable sub-leasing arrangements with its tenants falling due as follows:

	2022	2021
	HK$'000	HK$'000
Within one year	**21,374**	36,588
In the second to fifth years, inclusive	**10,767**	18,802
	32,141	55,390

33. RELATED PARTY TRANSACTIONS

(a) The Group did not have any significant related party transaction with related parties during the years ended 31 July 2022 and 2021.

(b) **Compensation of key management personnel**

The remuneration of directors and other members of key management during the years presented were as follows:

	2022	2021
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,846**	3,424
Discretionary or performance-based bonuses	**–**	–
Retirement benefit scheme contributions	**191**	152
	4,037	3,576

(c) Details of Profit Guarantee and interest-free loan advanced from a shareholder, Mr. Lin is disclosed in Note 25.

34. FINANCIAL INSTRUMENTS BY CATEGORY

	2022 HK$'000	2021 HK$'000
Financial assets		
Financial assets at amortised cost		
– Trade receivables	**17,522**	15,626
– Deposits paid and other receivables	**29,502**	32,853
– Finance lease receivables	**86,141**	110,506
– Cash and cash equivalents	**59,296**	112,830
	192,461	271,815
Financial liabilities		
Financial liabilities at amortised cost		
– Trade and other payable, deposits received and accruals	**38,476**	47,393
– Lease liabilities	**91,882**	151,574
– Loan from a shareholder	**–**	14,600
	130,358	213,567

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, and liquidity risk. The risks associated with financial instruments and the policies on how to mitigate these risks are described below.

Management monitors closely the Group's exposures to financial risks to ensure that appropriate measures are implemented in a timely and effective manner.

(i) Interest rate risk

Other than bank deposit and bank balances with variable interest rate, the Group has no other significant interest-bearing assets with variable interest rate. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposit and balances are not expected to change significantly.

The Group had no variable-rate borrowings as at 31 July 2022 (2021: Nil).

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

(ii) Credit risk and impairment assessment

Risk management

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The Group does not hold any collateral over these receivable balances.

The Group's exposure to credit risk mainly arising from the following assets, which comprise trade receivables, contract assets, finance lease receivables, deposits paid and other receivables and cash and cash equivalents, with a maximum exposure equal to the carrying amounts of these assets.

There are no significant concentrations of credit risk within the Group as the customer base of the Group is widely diversified.

Impairment of financial assets

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

- trade receivables and contract assets arising from contracts with customers;
- finance lease receivables; and
- deposits paid and other receivables.

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

Trade receivables, contract assets and finance lease receivables

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

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

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

Impairment of financial assets – continued

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

The Group uses provision matrix to calculate ECL for trade receivables, contract assets and finance lease receivables. To measure the ECL, trade receivables, contract assets and finance lease receivables have been grouped based on shared credit risk characteristics and the days past due.

The estimated ECL loss rates are estimated based on the Group's historical settlement experience of various groups of debtors that have similar loss patterns and are adjusted forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated. The Group has identified the gross domestic product in Hong Kong and the PRC to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance for trade receivables as at 31 July 2022 and 2021 was determined as follows:

	Expected loss rate	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Ageing based on the due date				
As at 31 July 2022				
Not yet past due	0.4%	4,939	(20)	4,919
Past due for less than 1 month	0.9%	3,399	(30)	3,369
Past due for more than 1 month but less than 2 months	1.2%	1,700	(20)	1,680
Past due for more than 2 months but less than 3 months	1.3%	2,371	(32)	2,339
Past due for more than 3 months but less than 1 year	3.2%	3,843	(122)	3,721
Past due for more than 1 year	37.1%	2,374	(880)	1,494
		18,626	(1,104)	17,522

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

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

Impairment of financial assets – continued

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

	Expected loss rate	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Ageing based on due date				
As at 31 July 2021				
Not yet past due	0.4%	2,800	(11)	2,789
Past due for less than 1 month	0.7%	12,731	(94)	12,637
Past due for more than 1 month but less than 2 months	0.7%	201	(1)	200
		15,732	(106)	15,626

The contract assets relate to work completed but not billed at the reporting date and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables under interior design and decoration work business are a reasonable approximation of the loss rates for the contract assets. The Group's finance lease receivables are leased properties in relation to finance lease used in sub-leasing business which have substantially the same risk characteristics as the trade receivables under the sub-leasing contracts. The Group has also concluded that the expected loss rates for trade receivables on sub-leasing business are a reasonable approximation of the loss rates for the finance lease receivables.

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

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

Impairment of financial assets – continued

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

On that basis, the loss allowance for contract assets and finance lease receivables as at 31 July 2022 and 2021 was determined as follows:

	Expected loss rate	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Contract assets				
As at 31 July 2022	**–**	**–**	**–**	**–**
As at 31 July 2021	0.1%	8,694	(9)	8,685
Finance lease receivables				
As at 31 July 2022	**8.6%**	**94,214**	**(8,073)**	**86,141**
As at 31 July 2021	0.1%	110,589	(83)	110,506

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

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

Impairment of financial assets – continued

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

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

	Trade receivables HK$'000	Contract assets HK$'000	Finance lease receivables HK$'000	Total HK$'000
At 1 August 2020	762	118	152	1,032
Decrease in loss allowance recognised in consolidated profit or loss during the year	(22)	(73)	(69)	(164)
Disposal of a subsidiary	(634)	(36)	–	(670)
At 31 July 2021 and 1 August 2021	106	9	83	198
Increase in loss allowance recognised in consolidated profit or loss during the year	1,009	–	7,989	8,998
Decrease in loss allowance recognised in consolidated profit or loss during the year	–	(9)	–	(9)
Exchange realignment	(11)	–	1	(10)
At 31 July 2022	**1,104**	**–**	**8,073**	**9,177**

Trade receivables, contract assets and finance lease receivables are written off when there is no reasonable expectation of recovery. During the years ended 31 July 2022 and 2021, there is no written off against the provision.

Impairment losses on trade receivables, contract assets and finance lease receivables are presented as (provision for)/reversal for impairment losses on trade receivables, contract assets and finance lease receivables, net within consolidated profit or loss.

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

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

Impairment of financial assets – continued

Other financial assets at amortised cost

For the purpose of internal credit risk management, the Group uses the past-due information of counterparties to assess whether credit risk has increased significantly since initial recognition. ECL for other financial assets at amortised cost, including deposits paid and other receivables, are assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition.

In order to minimise the credit risk on deposits paid and other receivables, the management of the Group closely monitor the follow-up action taken to recover any receivable balances outstanding over 180 days. In addition, the Group monitors subsequent settlement of each of the receivables to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the Group performs impairment assessment under ECL model on other balances individually. In this regard, the directors of the Company consider that the Group's credit risk on the deposits paid and other receivables is significantly reduced.

The credit risk on cash and cash equivalents is limited because the Group's bank deposit and bank balances are all deposited with major banks located in Hong Kong and the PRC with high credit ratings assigned by international credit-rating agencies and PRC stated-owned banks with good reputation.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets/finance lease receivables	Other financial assets
Performing	The counterparty has a low to moderate risk of default and does not have any past-due amounts	Lifetime ECL (not credit-impaired)	12m ECL
Underperforming	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL (not credit-impaired)	Lifetime ECL (not credit-impaired)
Non-performing	There is evidence indicating the asset is credit-impaired	Lifetime ECL (credit-impaired)	Lifetime ECL (credit-impaired)
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

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

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

Impairment of financial assets – continued

The table below detail the credit risk exposure of the Group's financial assets and contract assets, which are subject to ECL assessment:

	Notes	Internal credit rating	Gross carrying amount 2022 HK$'000	Gross carrying amount 2021 HK$'000
Financial assets at amortised cost:				
Trade receivables	19	Underperforming	**18,626**	15,732
Finance lease receivables	17	Performing	**76,288**	107,936
Finance lease receivables	17	Underperforming	**11,328**	2,653
Finance lease receivables	17	Non-performing	**6,598**	–
Deposits and other receivables	20	Performing	**29,502**	32,853
Cash and cash equivalents	21	N/A	**59,296**	112,830
Other items:				
Contract assets	19	Performing	**–**	8,694

(iii) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and long term. Management believes there is no significant liquidity risk as the Group has sufficient reserves of cash and cash equivalents to fund their operations.

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

(iii) Liquidity risk – *continued*

The following table details the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Group may be required to pay:

	On demand or within one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Over five years HK$'000	Total undiscounted amount HK$'000	Discount HK$'000	Total HK$'000
At 31 July 2022							
Trade and other payables, deposits received and accruals	29,137	5,440	3,899	–	38,476	–	38,476
Lease liabilities	53,161	36,768	10,868	–	100,797	(8,915)	91,882
	82,298	42,208	14,767	–	139,273	(8,915)	130,358
At 31 July 2021							
Trade and other payables, deposits received and accruals	36,469	5,740	5,073	111	47,393	–	47,393
Lease liabilities	79,134	49,611	42,971	–	171,716	(20,142)	151,574
Loan from a shareholder	13,123	–	–	–	13,123	1,477	14,600
	128,726	55,351	48,044	111	232,232	(18,665)	213,567

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

Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operation and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of equity attributable to equity shareholders of the Company, comprising loan from a shareholder less cash and cash equivalents, share capital and reserves, as disclosed in Notes 21, 25, 26 and 28, respectively.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group actively monitors, reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with certain levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Fair value measurement

The directors of the Company have assessed that the fair value of financial assets and financial liabilities, approximate to their carrying amounts largely due to the short term maturities of these financial instruments.

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

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

(a) Statement of financial position

	2022 HK$'000	2021 HK$'000
Non-current asset		
Investments in subsidiaries	42,790	42,790
Current assets		
Other receivables	178	191
Amounts due from subsidiaries	8,787	8,781
	8,965	8,972
Current liabilities		
Other payables	1,285	1,315
Amounts due to subsidiaries	49,871	29,212
Loan from a shareholder	–	14,600
	51,156	45,127
Net current liabilities	(42,191)	(36,155)
Net assets	599	6,635
Equity		
Share capital	4,112	4,112
Reserves (Note 36(b))	(3,513)	2,523
Total equity	599	6,635

The statement of financial position of the Company was approved and authorised for issue by the board of directors on 21 October 2022 and signed on its behalf by:

Mr. Lin Ye
Director

Mr. Au Siu Chung
Director

36. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY – *continued*

(b) Reserves movement of the Company

	Share premium HK$'000	Special reserve HK$'000 (Note)	Accumulated losses HK$'000	Total HK$'000
At 1 August 2020	24,394	42,276	(55,720)	10,950
Loss and total comprehensive loss for the year	–	–	(8,427)	(8,427)
At 31 July 2021 and 1 August 2021	24,394	42,276	(64,147)	2,523
Loss and total comprehensive loss for the year	**–**	**–**	**(6,036)**	**(6,036)**
At 31 July 2022	**24,394**	**42,276**	**(70,183)**	**(3,513)**

Note: Special reserve represents the difference between the fair value of the shares of KSL Enterprises Limited acquired pursuant to the reorganisation on 19 November 2014 over the nominal value of the Company's share issued in exchange therefore.

FINANCIAL SUMMARY

For the year ended 31 July 2022

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements is as follows:

	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000
Revenue	**123,004**	166,860	188,422	103,165	37,240
Cost of services	**(79,083)**	(115,519)	(129,927)	(85,489)	(33,622)
Gross profit	**43,921**	51,341	58,495	17,676	3,618
Other income and gains	**7,447**	8,577	4,206	2,738	4,784
Fair value changes on financial assets at fair value through profit or loss	**–**	–	–	–	(2,915)
Administrative and other operating expenses	**(19,079)**	(18,018)	(20,624)	(20,812)	(23,653)
(Provision for)/reversal of impairment losses on trade receivables, contract assets and finance lease receivables, net	**(8,989)**	164	(50)	(811)	(17)
Operating profit/(loss)	**23,300**	42,064	42,027	(1,209)	(18,183)
Finance costs	**(14,057)**	(17,344)	(21,075)	–	–
Profit/(loss) before income tax	**9,243**	24,720	20,952	(1,209)	(18,183)
Income tax expense	**(5,041)**	(7,675)	(9,189)	(2,442)	(490)
Profit/(loss) for the year	**4,202**	17,045	11,763	(3,651)	(18,673)
Other comprehensive (loss)/income					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of financial statements of foreign operations	**(3,291)**	6,607	(731)	88	–
Other comprehensive (loss)/income for the year, net of income tax	**(3,291)**	6,607	(731)	88	–
Total comprehensive income/(loss) for the year	**911**	23,652	11,032	(3,563)	(18,673)
Profit/(loss) for the year attributable to:					
Owners of the Company	**4,202**	17,050	11,650	(7,051)	(14,651)
Non-controlling interests	**–**	(5)	113	3,400	(4,022)
Profit/(loss) for the year	**4,202**	17,045	11,763	(3,651)	(18,673)
Total comprehensive income/(loss) for the year attributable to:					
Owners of the Company	**911**	23,657	10,919	(6,963)	(14,651)
Non-controlling interests	**–**	(5)	113	3,400	(4,022)
Total comprehensive income/(loss) for the year	**911**	23,652	11,032	(3,563)	(18,673)
Assets and liabilities					
Total assets	**256,465**	344,587	363,162	141,946	85,562
Total liabilities	**(133,264)**	(222,297)	(265,279)	(68,974)	(8,553)
Net assets	**123,201**	122,290	97,883	72,972	77,009
Equity attributable to owners of the Company	**123,201**	122,290	98,633	73,835	81,211
Non-controlling interests	**–**	–	(750)	(863)	(4,202)