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CHINA SUPPLY CHAIN HOLDINGS LIMITED

中國供應鏈產業集團有限公司

(formerly known as “Yat Sing Holdings Limited 日成控股有限公司”)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3708)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2020

RESULTS

The board (the “Board”) of directors (the “Directors”) of China Supply Chain Holdings Limited (the “Company”) is pleased to present the consolidated audited results of the Company and its subsidiaries (the “Group”) for the year ended 30 June 2020 (the “Year”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations			
Revenue	3	380,505	415,529
Cost of sales		(362,382)	(384,558)
Gross profit		18,123	30,971
Other income		3,373	1,839
Administrative expenses		(35,958)	(41,070)
Finance costs	4	(85)	(251)
Loss before taxation		(14,547)	(8,511)
Income tax credit (expenses)	5	38	(742)
Loss for the year from continuing operations	6	(14,509)	(9,253)

	2020	2019
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Discontinued operation		
Loss for the year from discontinued operation	—	(9,185)
Loss for the year	(14,509)	(18,438)
Other comprehensive income (expense) for the year		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Gain on disposal of financial assets at fair value through other comprehensive income (“FVTOCI”)	2,541	—
Fair value changes on financial assets at FVTOCI	—	(793)
	2,541	(793)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translating a foreign operation	—	(2,189)
Release of translation reserve upon disposal of a subsidiary	—	4,627
	—	2,438
Other comprehensive income for the year	2,541	1,645
Total comprehensive expenses for the year	(11,968)	(16,793)
(Loss) profit for the year attributable to:		
Owners of the Company		
– Continuing operations	(14,493)	(9,270)
– Discontinued operation	—	(4,140)
	(14,493)	(13,410)
Non-controlling interests		
– Continuing operations	(16)	17
– Discontinued operation	—	(5,045)
	(16)	(5,028)
	(14,509)	(18,438)

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Total comprehensive (expenses) income for the year attributable to:			
Owners of the Company			
– Continuing operations		(11,952)	(10,063)
– Discontinued operation		–	(2,799)
		<u>(11,952)</u>	<u>(12,862)</u>
Non-controlling interests			
– Continuing operations		(16)	17
– Discontinued operation		–	(3,948)
		<u>(16)</u>	<u>(3,931)</u>
		<u>(11,968)</u>	<u>(16,793)</u>
		2020	2019
Basic and diluted loss per share (<i>HK cents</i>)			
Continuing and discontinued operations	8	(0.26)	(0.24)
Continuing operations		<u>(0.26)</u>	<u>(0.17)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		3,845	4,802
Right-of-use assets		290	–
Financial assets at FVTOCI		–	1,949
Rental deposit	9	150	178
Loan and interest receivable		–	9,965
		<u>4,285</u>	<u>16,894</u>
Current assets			
Tax recoverable		1,669	433
Consideration receivable		21,400	21,400
Trade and other receivables	9	90,843	59,919
Loan and interest receivable		12,088	–
Contract assets	10	51,880	72,836
Time deposits with original maturity over three months		31,500	10,000
Pledged bank deposits		1,435	1,411
Bank balances and cash		37,076	48,172
		<u>247,891</u>	<u>214,171</u>
Current liabilities			
Trade and other payables	11	100,555	64,676
Lease liabilities		276	–
Obligations under finance leases			
– due within one year		–	696
Bank borrowings		–	2,146
Tax payable		–	267
		<u>100,831</u>	<u>67,785</u>
Net current assets		<u>147,060</u>	<u>146,386</u>
Total assets less current liabilities		<u>151,345</u>	<u>163,280</u>

	2020	2019
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Long service payment obligations	499	432
Deferred tax liabilities	422	456
	<u>921</u>	<u>888</u>
Net assets	<u>150,424</u>	<u>162,392</u>
Capital and reserves		
Share capital	11,189	11,189
Reserves	138,616	150,568
Equity attributable to:		
Owners of the Company	149,805	161,757
Non-controlling interests	619	635
Total equity	<u>150,424</u>	<u>162,392</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). At the date of these financial statements, its ultimate and immediate holding company is Smart Paradise International Limited, a company incorporated in the British Virgin Islands (the “BVI”), which is beneficially owned by Mr. Dai Jian. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

Pursuant to a special resolution passed by the shareholders of the Company on 22 January 2020, the issue of the Certificate of Incorporation on Change of Name by the Registry of Companies in the Cayman Islands on 3 February 2020 and the issue of the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company by the Registrar of Companies in Hong Kong on 19 June 2020 confirming the registration of the new name of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the name of the Company was changed from “Yat Sing Holdings Limited” to “China Supply Chain Holdings Limited” and the dual foreign name in Chinese of the Company from “日成控股有限公司” to “中國供應鏈產業集團有限公司”.

The Company acts as an investment holding company and the principal activities of its subsidiaries are provision of building maintenance and renovation services.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the ended of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

The consolidated financial statements are presented in Hong Kong dollar (“HK\$”), which is also the Company’s functional currency.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

Application of New and Amendments to Hong Kong Financial Reporting Standards (“HKFRS(s)”)

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (“HKAS(s)”) amendments and interpretations (Int(s)) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

The adoption of HKFRS 16 resulted in the changes in the Group’s accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarised below.

The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and position for the current and prior years.

Impact on adoption of HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The Group has applied HKFRS 16 *Leases* modified retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 July 2019. Comparative information has not been restated and continues to be reported under HKAS 17 *Leases*.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC) – Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 July 2019.

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 *Leases* (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 July 2019. The lessee’s incremental borrowing rates applied to the lease liabilities on 1 July 2019 were ranged from 3.60% to 6.65%.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability and are separately presented on the consolidated statement of financial position.

The Group leases a number of items of motor vehicles. These leases were classified as finance leases under HKAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 were determined at the carrying amount of the lease asset and lease liability under HKAS 17 immediately before that date. Accordingly, the obligations under finance leases are now included within lease liabilities, and the carrying amount of the corresponding lease asset is identified as a right-of-use asset.

There is no impact on the opening balance of equity.

The following table summarises the impact of transition to HKFRS 16 at 1 July 2019. Line items that were not affected by the adjustments have not been included.

		Carrying amount previously reported at 30 June 2019	Impact on adoption of HKFRS 16	Carrying amount as restated at 1 July 2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	(a)	4,802	(1,751)	3,051
Right-of-use assets	(a), (b)	–	3,584	3,584
Lease liabilities	(a), (b)	–	(2,529)	(2,529)
Obligations under finance leases	(a)	(696)	696	–
		<u> </u>	<u> </u>	<u> </u>

Notes:

- (a) The obligations under finance leases of approximately HK\$696,000 previously separately presented as obligations under finance leases at 30 June 2019 are now included within lease liabilities under HKFRS 16. The carrying amount of the related assets under finance leases amounting to approximately HK\$1,751,000 is reclassified from property, plant and equipment to right-of-use assets; and
- (b) As at 1 July 2019, right-of-use assets in respect of lease arrangement for buildings were measured at an amount equal to the lease liability of approximately HK\$1,833,000.

Differences between operating lease commitments as at 30 June 2019, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 July 2019 are as follow:

	<i>HK\$'000</i>
Operating lease commitment disclosed as at 30 June 2019	2,074
Less: Short-term leases	(20)
	<u>2,054</u>
Discounted using the incremental borrowing rate at 1 July 2019	1,833
Add: Finance lease liabilities recognised under HKAS 17 as at 30 June 2019	696
	<u>2,529</u>
Lease liabilities recognised as at 1 July 2019	<u>2,529</u>
Analysed as	
– Non-current portion	40
– Current portion	2,489
	<u>2,529</u>

On the date of initial application of HKFRS 16, the Group has also used the following practical expedients permitted by the standard:

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and interpretation that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁶
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting ¹
Amendments to HKAS 16	Property Plant and Equipment: Proceeds before Intended Use ⁶
Amendments to HKFRS 16	COVID-19 – Related Rent Concessions ⁵
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ⁶
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 Cycle ⁶
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ⁷

- ¹ Effective for annual periods beginning on or after 1 January 2020
² Effective for annual periods beginning on or after 1 January 2021
³ Effective for annual periods beginning on or after a date to be determined
⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
⁵ Effective for annual periods beginning on or after 1 June 2020
⁶ Effective for annual periods beginning on or after 1 January 2022
⁷ Effective for annual periods beginning on or after 1 January 2023

The directors of the Company anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group's reportable and operating segments, based on information reported to the chairman of the Board, being the chief operating decision maker (the "CODM") for the purposes of resources allocation and performance assessment focuses on types of services provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments are as follows:

- (i) Building maintenance; and
- (ii) Renovation

An operating segment regarding the sales of visible light photocatalysis products was discontinued in the prior year. The segment information reported on the next pages does not include any amounts for this discontinued operation.

Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segments:

For the year ended 30 June 2020

Continuing operations	Building maintenance HK\$'000	Renovation HK\$'000	Total HK\$'000
Segment revenue	<u>249,674</u>	<u>130,831</u>	<u>380,505</u>
Segment profit	<u>10,667</u>	<u>4,809</u>	15,476
Unallocated corporate income			3,373
Central administration costs			(33,311)
Finance costs			<u>(85)</u>
Loss before taxation			<u>(14,547)</u>

For the year ended 30 June 2019

	Building maintenance <i>HK\$'000</i>	Renovation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Continuing operations			
Segment revenue	<u>373,190</u>	<u>42,339</u>	<u>415,529</u>
Segment profit	<u>26,742</u>	<u>4,229</u>	30,971
Unallocated corporate income			1,839
Central administration costs			(41,070)
Finance costs			<u>(251)</u>
Loss before taxation			<u>(8,511)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3 of the Group's annual consolidated financial statements for the year ended 30 June 2020. Segment profit represents the profit earned by each segment without allocation of unallocated corporate income, central administration costs, impairment loss on other receivables and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

There were no inter-segment sales between different business segments for the years ended 30 June 2020 and 2019.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Segment assets		
<i>Continuing operations</i>		
Building maintenance	60,368	90,325
Renovation	69,944	43,278
Total segment assets	130,312	133,603
Assets relating to discontinued operation	–	21,400
Unallocated corporate assets	121,864	76,062
Total assets	252,176	231,065
Segment liabilities		
<i>Continuing operations</i>		
Building maintenance	39,449	49,510
Renovation	51,456	7,934
Total segment liabilities	90,905	57,444
Unallocated corporate liabilities	10,847	11,229
Total liabilities	101,752	68,673

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than certain property, plant and equipment, certain right-of-use assets, financial assets at FVTOCI, rental deposit, certain other receivables, loan and interest receivable, consideration receivable, pledged bank deposits, time deposits with original maturity over three months, bank balances and cash and tax recoverable as these assets are managed on a group basis.
- all liabilities are allocated to operating segments other than certain other payables, certain lease liabilities/obligations under finance leases, bank borrowings, tax payable, long service payment obligations and deferred tax liabilities as these liabilities are managed on a group basis.

In measuring the Group's segment assets and liabilities, lease liabilities of approximately HK\$40,000 (2019: obligations under finance leases of approximately HK\$509,000) were allocated to building maintenance segment. However, the relevant interests on lease liabilities of approximately HK\$28,000 (2019: interests on obligations under finance leases of approximately HK\$36,000) were not included in the measurement of segment results. Should the interests on lease liabilities (2019: interests on obligations under finance leases) be included in the measurement of segment profit, the segment profit of the building maintenance segment for the year ended 30 June 2020 would be approximately HK\$10,639,000 (2019: HK\$26,706,000).

Geographical information

The Group's revenue from continuing operations from external customers by location of operations and non-current assets by geographical location are all derived and located in Hong Kong (place of domicile) for both years.

Information about major customers

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A ¹	249,653	329,855

¹ Revenue from building maintenance and renovation services.

4. FINANCE COSTS

Continuing operations

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interests on:		
Bank borrowings	25	197
Obligations under finance leases	–	54
Lease liabilities	60	–
	85	251

5. INCOME TAX (CREDIT) EXPENSES

Continuing operations

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong Profits Tax:		
Current tax	–	852
Over-provision in prior years	(4)	(17)
	(4)	835
Deferred taxation	(34)	(93)
	<u>(38)</u>	<u>742</u>

6. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

Continuing operations

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Staff costs (including directors' and chief executive's emoluments)		
– Directors' and chief executive's emoluments	3,456	2,232
– Salaries, allowances and other benefits (excluding directors' and chief executive's emoluments)	29,189	38,742
– Contributions to retirement benefits schemes (excluding directors' and chief executive's emoluments)	929	1,128
– Long service payment obligations	67	106
Total staff costs	<u>33,641</u>	<u>42,208</u>
Auditor's remuneration	1,280	1,102
Impairment loss on trade receivables	1,249	–
Impairment loss on other receivables	964	–
Depreciation of property, plant and equipment	652	1,157
Depreciation of right-of-use assets	1,685	–
Minimum lease payments paid under operating lease in respect of rented premises (<i>Note</i>)	N/A	3,933

Note: Operating lease payments in respect of rented premises for the year ended 30 June 2019 represent payments made and accounted for under HKAS 17.

7. DIVIDEND

No dividend was paid or proposed during the year ended 30 June 2020, nor has any dividend been proposed since the end of reporting period (2019: Nil).

8. LOSS PER SHARE

From continuing and discontinued operations

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss		
Loss for the purpose of basic loss per share, loss for the year attributable to owners of the Company		
– from continuing operations	(14,493)	(9,270)
– from discontinued operation	–	(4,140)
	<u>–</u>	<u>(4,140)</u>
– from continuing and discontinued operations	(14,493)	(13,410)
	<u>(14,493)</u>	<u>(13,410)</u>
	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,594,000,000	5,594,000,000
	<u>5,594,000,000</u>	<u>5,594,000,000</u>
Basic and diluted loss per share (HK cents)		
– from continuing and discontinued operations	(0.26)	(0.24)
– from continuing operations	(0.26)	(0.17)
– from discontinued operation	–	(0.07)
	<u>(0.26)</u>	<u>(0.07)</u>

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares during the years ended 30 June 2020 and 2019.

The denominators used are the same as those detailed above for both basic and diluted loss per share.

9. RENTAL DEPOSIT, TRADE AND OTHER RECEIVABLES

The following is an analysis of rental deposit and trade and other receivables at the end of the reporting period:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	75,167	55,535
Less: Loss allowance of trade receivables	(1,249)	–
Net trade receivables	73,918	55,535
Advances to subcontractors	2,262	2,632
Payment in advance	337	413
	76,517	58,580
Deposits and other receivables	15,440	1,517
Less: Loss allowance of other receivables	(964)	–
	14,476	1,517
Less: Rental deposit shown under non-current assets	(150)	(178)
	14,326	1,339
	90,843	59,919

The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the project contract, as appropriate, for the building maintenance and renovation services.

The following is an aged analysis of trade receivables, net of allowance for impairment of trade receivables, presented based on the certified report or based on invoices dates which approximates the respective revenue recognition dates at the end of the reporting period:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 90 days	42,140	25,410
91 to 180 days	3,177	5,879
181 to 365 days	4,580	11,156
1 to 2 years	23,081	12,150
Over 2 years	940	940
	73,918	55,535

10. CONTRACT ASSETS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Analysed as current:		
Unbilled revenue of construction contracts (<i>Note a</i>)	45,018	65,935
Retention receivables of construction contracts (<i>Note b</i>)	<u>6,862</u>	<u>6,901</u>
Total contract assets	<u><u>51,880</u></u>	<u><u>72,836</u></u>
Unbilled revenue of construction contracts		
Within one year	37,275	65,935
Over one year (<i>Note c</i>)	<u>7,743</u>	<u>–</u>
	<u><u>45,018</u></u>	<u><u>65,935</u></u>
Retention receivables of construction contracts		
Due within one year	4,495	5,902
Due over one year (<i>Note c</i>)	<u>2,367</u>	<u>999</u>
	<u><u>6,862</u></u>	<u><u>6,901</u></u>

Notes:

- (a) Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed but not yet billed because the rights are conditional upon the satisfaction by the customers on the construction work completed 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, which is typically at the time the Group obtains the certification of the completed construction work from the customers.
- (b) Retention receivables included in contract assets represents the Group's right to receive consideration for work performed and not yet billed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group.
- (c) The amounts were expected to be recovered in more than twelve months from the end of the reporting period but within its normal operating cycle.

11. TRADE AND OTHER PAYABLES

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	60,659	21,842
91 to 180 days	4,879	9,675
181 to 365 days	9,187	5,190
1 to 2 years	7,291	5,750
Over 2 years	2,251	4,628
	84,267	47,085

Trade payables represented payables to subcontractors. The credit terms granted by subcontractors were stipulated in the relevant contracts and the payables were usually due for settlement within seven days after the Group received settlement of corresponding trade receivables. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time-frame.

12. SUBSEQUENT EVENT DURING THE YEAR

On 25 August 2020, the Company received a winding-up petition (the “Petition”) filed by a creditor (the “Petitioner”) against the Company in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the “High Court”). The Petitioner alleged that the Company is indebted to the Petitioner in the sum of approximately HK\$407,000 (the “Claim”), which arose from services rendered by it to the Company for the period from 13 March 2019 to 15 April 2020. The first hearing of the petition will be held on 25 November 2020.

At the end of the reporting period, the alleged sum has been accrued by the Group and included in accrued expenses. Subsequently, the Group settled the Claim to the Petitioner. Base on the advice from the Group’s legal advisor, with the settlement of the Claim, there is no material impact to the Group’s operation and the Petition should be withdrawn after completion of certain administrative procedures.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a building maintenance and renovation service provider in Hong Kong. All revenue for the Year was derived from building maintenance and renovation services.

Revenue for the Year was approximately HK\$380.5 million, representing a decrease of approximately HK\$35.0 million or 8.4% when compared to the same period last year of approximately HK\$415.5 million. It was mainly due to the decrease in maintenance segment.

Building maintenance services

As at the date of this announcement, the Group had 3 building maintenance contracts on hand with a notional or estimated contract value of approximately HK\$553.3 million. As at 30 June 2019, the Group had 2 building maintenance contracts on hand with a notional or estimated contract value of HK\$522.4 million. The Group has not completed any building maintenance contract during the Year.

Renovation services

As at 30 June 2020, the Group had 4 renovation contracts on hand (including contracts in progress and contracts which are yet to commence) with a notional or estimated contract value of approximately HK\$125.1 million. As at 30 June 2019, the Group had 8 renovation contracts on hand with a notional or estimated contract value of HK\$175.3 million. The Group have completed 7 renovation contracts during the Year.

RECENT DEVELOPMENT

Building maintenance services

During the Year, the Group had been successfully awarded a contract with a notional or estimated contract value of approximately HK\$302.2 million, which will be commenced in October 2020.

Renovation services

During the Year, the Group had been successfully awarded 3 contracts with a notional or estimated contract value of approximately HK\$11.4 million. All the renovation contracts have commenced during the Year.

FUTURE DEVELOPMENT

Under the outbreak of the COVID-19 in the first half of 2020, there is a decrease in award the contracts in building maintenance projects and renovation services projects. We will focus on identifying opportunities for building maintenance projects and renovation services projects in our future business development, especially in the public sector, which is our core business. For renovation projects, with the growth in consciousness of building refurbishment in Hong Kong, we are confident in attaining new projects from the private sector.

FINANCIAL REVIEW

Revenue

Revenue derived from building maintenance services decreased by approximately HK\$123.5 million or 33.1% from approximately HK\$373.2 million for the year ended 30 June 2019 to approximately HK\$249.7 million during the Year. The significant decrease in revenue during the Year was attributable to the revenue recognised under one of the two existing projects and the existing projects were almost recognised from previous years. Also, the new contract will commence in October 2020 and not during the Year which result in less revenue recognised.

Revenue derived from renovation services increased by approximately HK\$88.5 million or 209.2% from approximately HK\$42.3 million for the year ended 30 June 2019 to approximately HK\$130.8 million during the Year. The increase in revenue was mainly contributed by the full-year impact of the contract of Vocational Training Council, which was commenced in April 2019.

Gross profit and gross profit margin

During the Year, the Group's gross profit amounted to approximately HK\$18.1 million (2019: HK\$31.0 million) on continuing operation representing a decrease of approximately HK\$12.9 million, which is consistent with the decrease in revenue on continuing operation. Gross profit margin for the Year was approximately 4.8% (2019: 7.5%) on continuing operation. The decrease in gross profit margin was caused by the decrease in the gross profit margin for both building maintenance and renovation services.

Gross profit attributable to building maintenance services for the Year amounted to approximately HK\$13.3 million (2019: HK\$26.7 million (restated)). The Group's gross profit margin for building maintenance services for the Year was approximately 5.3% (2019: 7.2% (restated)). The decline in gross profit margin during the Year was attributable to the current-year DTC project with lower gross profit margin than prior year.

Gross profit attributable to renovation services for the Year amounted to approximately HK\$4.8 million (2019: HK\$4.2 million), representing an increase of approximately HK\$0.6 million or 14.3%. Gross profit margin from renovation services during the Year was approximately 3.7%, which was much lower than the year ended 30 June 2019 of approximately 9.9%. The increase in gross profit margin was caused by the increase in contribution from the project for the Vocational Training Council, which has higher gross margin than other renovation projects.

Other income

During the Year, other income increased by approximately HK\$1.6 million or 88.8% from approximately HK\$1.8 million for the same period in 2019 to approximately HK\$ HK\$3.4 million on continuing operation for the Year, which was mainly due to the additional net income from sales of construction materials of HK\$0.3 million, gain on disposal of a subsidiary of HK\$0.3 million and government subsidy of HK\$0.7 million.

Administrative expenses

Administrative expenses decreased by approximately HK\$5.1 million or 12.4% on continuing operation from approximately HK\$41.1 million for the same period in 2019 to approximately HK\$36.0 million for the Year. The decrease was caused by the decrease in the operating costs of the Company, including but not limited to, the decrease in staff cost, office rental charge, the professional and other related fees.

Finance costs

Finance costs decreased by approximately HK\$166,000 or 66.1% on continuing operation from approximately HK\$251,000 for the same period in 2019 to approximately HK\$85,000 for the Year on continuing operation, which was mainly comprised the bank borrowings and obligations under finance leases.

Income tax expenses

The effective tax rates were approximately 0.3% and -8.7% on continuing operation for the Year and the same period in 2019, respectively. The significant decrease for the Year was mainly due to the significant decrease on the gross profit on building maintenance for the Year.

Loss for the year

On continuing operation, the Group recorded loss for the Year by approximately HK\$5.2 million or 55.9% from approximately loss on HK\$9.3 million for the same period in 2019 to approximately loss on HK\$14.5 million for the Year, which was mainly comprised the substantial loss in building maintenance services.

Liquidity, financial resources and capital structure

The Group generally finances its operation through cash from operations, bank borrowings and finance leases. As at 30 June 2020, the Group had total cash and bank balances of approximately HK\$37.1 million (30 June 2019: HK\$48.2 million). There were no finance leases and bank borrowings in the Group as at 30 June 2020 (30 June 2019: HK\$0.7 million and HK\$2.1 million respectively). All the cash and bank balances was denominated in Hong Kong dollar as at 30 June 2020. As at 30 June 2020, the share capital and equity attributable to owners of the Company amounted to approximately HK\$11.2 million and HK\$149.8 million respectively (30 June 2019: HK\$11.2 million and HK\$161.8 million respectively).

Foreign exchange risk

The Group's business operations were conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group were denominated in Hong Kong dollar. With the insignificant portion of monetary assets denominated in foreign currencies, the Group did not engage in the any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the Year.

Gearing ratio

Gearing ratio is calculated based on the total debts divided by the total equity. The gearing ratio was approximately 0.2% and 1.8% as at 30 June 2020 and 30 June 2019, respectively. The decrease in gearing ratio is due to the significant decrease of the obligations under finance leases and bank borrowings during the Year.

Charge over assets of the Group

As at 30 June 2020, the Group had pledged bank deposits of approximately HK\$1.4 million (30 June 2019: HK\$1.4 million) to a bank to secure bank facilities and performance guarantee in respect of a renovation project issued by the Group and is expected to be recovered in its normal operating cycle. As at 30 June 2020, the Group had no motor vehicle held under finance lease (30 June 2019: HK\$1.8 million).

Contingent liabilities

(a) *Contingent liabilities in respect of legal claims*

One subsidiary of the Group is defendant in a number of claims, lawsuits and potential claims relating to employees' compensation cases and personal injuries claims. The Directors considered that the possibility of any outflow in settling the legal claims was remote as these claims were well covered by insurance and subcontractors' indemnity. Accordingly, no provision for the contingent liabilities in respect of the litigations is necessary, after due consideration of each case.

(b) Guarantee issued

At the end of each reporting year, the Group had provided guarantees to bank in respect of the following:

	30 June 2020 HK\$'000	30 June 2019 HK\$'000
Performance bonds in favor of its clients	<u>1,250</u>	<u>2,822</u>

As at 30 June 2020, HK\$1,250,000 (2019: HK\$2,822,000) of performance bonds were given by a bank in favour of some of the Group's customers as security for the due performance and observance of the Group's obligations under the service contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the bank to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contract work for the relevant customers.

Save as disclosed above, the Group had no material contingent liabilities as at 30 June 2020 (30 June 2019: nil).

Employees and remuneration policies

As at 30 June 2020, the Group had approximately 93 employees (30 June 2019: 95). The staff related costs included salaries, wages and other staff benefits, contributions and retirement schemes, provisions for staff long service payment and untaken paid leave. The Group recruits and promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff and enable smooth operations within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages were subject to review on a regular basis. The emoluments of the Directors and senior management have been reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

Events after reporting period

On 25 August 2020, the Company received a winding-up petition (the “Petition”) filed by a creditor (the “Petitioner”) against the Company in the Court of First Instance of the High Court of the HKSAR (the “High Court”). The Petitioner alleged that the Company is indebted to the Petitioner in the sum of approximately HK\$407,000, which arose from services rendered by it to the Company for the period from 13 March 2019 to 15 April 2020.

The first hearing of the petition will be held on 25 November 2020. At the end of the reporting period, the alleged sum has been accrued by the Group as liabilities. On 30 September 2020, the Group settled the outstanding sum owed to the Petitioner.

Save as disclosed above, there is no important event affecting the Group which have occurred since 30 June 2020.

DIVIDEND

The Board does not recommend the payment of final dividend for the Year (2019: nil).

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

During the Year and up to the date of this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted and complied with code provisions (the “Code Provisions”) as set out under the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules. During the Year, the Company has complied with all the Code Provisions of the CG Code except for Code Provision A.2.1.

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Dai Jian was served as the chairman of the Board and chief executive officer of the Company before 21 November 2019. This dual roles constitutes a deviation from Code Provision A.2.1 of the CG Code. The Board was of the view that vesting both roles of Mr. Dai Jian would allow more effective planning and execution of business strategies. As all major decisions would be made in consultation with members of the Board, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board believes that there are adequate safeguards in place to ensure sufficient balance of porters within the Board.

On 21 November 2019, Ms. Ma Huijun has been appointed as an executive Director and the chairman of the Board and Mr. Dai Jian has been re-designated as the vice chairman of the Board and remained as an executive Director and the Chief Executive Officer. The Company has therefore complied with Code Provision A.2.1 of the CG Code since 21 November 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS

Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as a code of conduct of the Company for Directors’ securities transactions. The Company has made specific enquiry of all Directors and the relevant employees regarding any non-compliance with the Model Code during the Year, and they have all confirmed that they had fully complied with the required standard set out in the Model Code.

Securities Transactions by Senior Management and Staff

The senior management and staff have been individually notified and advised about the Model Code by the Company.

AUDIT COMMITTEE

The Audit Committee was established on 17 December 2014 in compliance with Rule 3.21 of the Listing Rules with written terms of reference in compliance with the CG Code. Our Audit Committee consists of Mr. Guo Biao, Ms. Song Dan and Mr. Chan Foon. Currently, Mr. Chan Foon is the chairman of the Audit Committee.

The Audit Committee has reviewed the Group’s audited consolidated financial statements for the Year.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement will be published on the respective websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.yat-sing.com.hk). The annual report for the Year containing all the information required by the Listing Rules will be published on the respective websites of the Company and the Stock Exchange and despatched to the Shareholders in due course.

By order of the Board
China Supply Chain Holdings Limited
Ma Huijun
Chairman

Hong Kong, 30 September 2020

As at the date of this announcement, the Board comprises four executive Directors, namely Ms. Ma Huijun (Chairman), Mr. Dai Jian (Vice Chairman and Chief Executive Officer), Mr. Lai Aizhong and Mr. Dai Ming; a non-executive Director, namely Mr. Zhang Junze and four independent non-executive Directors, namely Mr. Huang Shuhui, Mr. Chan Foon, Mr. Guo Biao and Ms. Song Dan.