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CHINA SUPPLY CHAIN HOLDINGS LIMITED

中國供應鏈產業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3708)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2021

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 2021 (the “**Year**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	<i>Notes</i>	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Revenue	3	319,330	380,505
Cost of sales		<u>(298,102)</u>	<u>362,382</u>
Gross profit		21,228	18,123
Other income and gains		5,022	3,373
Provision for impairment loss on financial and contract assets		(1,405)	(2,213)
Administrative expenses		<u>(30,757)</u>	<u>(33,745)</u>
Operating loss		(5,912)	(14,462)
Finance costs	4	<u>(71)</u>	<u>(85)</u>
Loss before income tax		(5,983)	(14,547)
Income tax (expense)/credit	5	<u>(7)</u>	<u>38</u>
Loss for the year		<u>(5,990)</u>	<u>(14,509)</u>

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
Other comprehensive income for the year			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Fair value change of financial assets at fair value through other comprehensive income (“FVTOCI”)		—	2,541
Other comprehensive income for the year		—	2,541
Total comprehensive loss for the year		(5,990)	(11,968)
(Loss)/profit for the year attributable to:			
— Owners of the Company		(6,017)	(14,493)
— Non-controlling interests		27	(16)
		(5,990)	(14,509)
Total comprehensive (loss)/income for the year attributable to:			
— Owners of the Company		(6,017)	(11,952)
— Non-controlling interests		27	(16)
		(5,990)	(11,968)
Loss per share attributable to the owners of the Company (in HK cents)			
Basic and diluted	7	(0.11)	(0.26)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		2,484	3,845
Right-of-use assets		1,697	290
Rental deposit		—	150
		<hr/> 4,181	<hr/> 4,285
Current assets			
Trade and other receivables	8	68,904	90,843
Consideration receivable		9,100	21,400
Loan and interest receivable		11,801	12,088
Contract assets	9	63,117	51,880
Tax recoverable		869	1,669
Time deposits with original maturity over three months		46,500	31,500
Pledged bank deposits		1,274	1,435
Cash and cash equivalents		38,092	37,076
		<hr/> 239,657	<hr/> 247,891
Total assets		<hr/> 243,838	<hr/> 252,176
EQUITY			
Equity attributable to the owners of the Company			
Share capital		11,189	11,189
Reserves		132,599	138,616
		<hr/> 143,788	<hr/> 149,805
Non-controlling interests		646	619
Total equity		<hr/> 144,434	<hr/> 150,424

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Long services payment obligations		530	499
Lease liabilities		33	—
Deferred income tax liabilities		429	422
		<u>992</u>	<u>921</u>
Current liabilities			
Trade and other payables	<i>10</i>	97,059	100,555
Lease liabilities		1,353	276
		<u>98,412</u>	<u>100,831</u>
Total liabilities		<u>99,404</u>	<u>101,752</u>
Total equity and liabilities		<u>243,838</u>	<u>252,176</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

China Supply Chain Holdings Limited (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.

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

The consolidated financial statements are presented in thousands of Hong Kong dollar (“**HKS’000**”), which is also the Company’s functional currency.

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRS**”), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards (“**HKAS**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention.

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

(a) New standards, amendments to standards and interpretation adopted by the Group

The Group has applied the following new and amended standards, improvements and interpretation for the first time for their annual reporting period commencing 1 July 2020:

- Definition of Material — amendments to HKAS 1 and HKAS 8
- Definition of a Business — amendments to HKFRS 3
- Interest Rate Benchmark Reform — amendments to HKFRS 9, HKAS 39 and HKFRS

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- Revised Conceptual Framework for Financial Reporting
- Covid-19 — Related Rent Concessions — amendments to HKFRS 16

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) *New standards, amendments to standards, interpretations and accounting guideline issued but not yet effective*

The following new standards, amendments to standards, interpretations and accounting guidelines that have been published but not effective during the year and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9, and HKFRS 16 (Amendments)	Interest rate benchmark reform — phase 2	1 January 2021
HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 (amendments)	1 April 2021
Annual Improvements Project	Annual Improvements 2018–2020 Cycle (amendments)	1 January 2022
HKFRS 3, HKAS 16 and HKAS 37	Narrow-Scope Amendments (amendments)	1 January 2022
Accounting Guideline 5 (Revised)	Revised Accounting Guideline 5 – Merger Accounting for Common Control Combinations	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17	Amendments to HKFRS 17	1 January 2023
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information	1 January 2023
HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies (amendments)	1 January 2023
HKAS 8	Definition of Accounting Estimates (amendments)	1 January 2023
HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction (amendments)	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current (amendments)	1 January 2024

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Non-current liabilities with Covenants (amendments)	1 January 2024
Amendments to HKAS 16	Lease Liability in a Sale and Leaseback (amendments)	1 January 2024
HK Interpretation 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (amendments)	To be determined

The directors of the Company have assessed the financial impact on the Group of the adoption of the above new standards, amendments to existing standards, interpretations and accounting guideline. These standards and amendments are not expected to have a material impact on the Group in the future reporting periods and on foreseeable future transactions. The Group is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements. The Group intends to adopt the above new standards, amendments to existing standards interpretations and accounting guideline when they become effective.

3. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (“CODM”).

The Company’s executive directors monitor the operating results of its operating segment for the purpose of making decisions about resource allocation and performance assessment.

The CODM has been identified as the executive directors of the Company. The executive directors consider the segment from a business perspective. The Group has two (2020: two) operating segments that qualify as reporting segment under HKFRS 8 and the information that is regularly reviewed by the executive directors for the purposes of allocating resources and assessing performance.

The executive directors assess the performance based on a measure of profit before income tax, and consider all businesses are included in the two segments:

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

Segment revenue and results

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

For the year ended 30 June 2021

	Building maintenance <i>HK\$'000</i>	Renovation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>214,559</u>	<u>104,771</u>	<u>319,330</u>
Segment results	<u>16,799</u>	<u>4,170</u>	20,969
Other income and gains			5,022
Provision for impairment loss on financial and contract assets			(1,575)
Administrative expenses			(30,341)
Finance costs			<u>(58)</u>
Loss before income tax			<u>(5,983)</u>

For the year ended 30 June 2020

	Building maintenance <i>HK\$'000</i>	Renovation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>249,674</u>	<u>130,831</u>	<u>380,505</u>
Segment results	<u>10,667</u>	<u>4,809</u>	15,476
Other income and gains			3,373
Provision for impairment loss on financial and contract assets			(964)
Administrative expenses			(32,347)
Finance costs			<u>(85)</u>
Loss before income tax			<u>(14,547)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit earned by each segment without allocation of other income and gains, provision for impairment loss on financial and contract assets, administrative expenses 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 2021 and 2020.

Geographical information

The Group's revenue 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

For the year ended 30 June 2021, there were two customers (2020: one) which individually contributed over 10% of the Group's total revenue. During the years ended 30 June 2021 and 2020, the revenue contributed from each of these customers was as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	214,531	249,653
Customer B	<u>83,291</u>	<u>N/A</u>

4. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interests on:		
Bank borrowings	—	25
Lease liabilities	<u>71</u>	<u>60</u>
	<u>71</u>	<u>85</u>

5. INCOME TAX (EXPENSE)/CREDIT

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong profits tax		
Current income tax	—	—
Over-provision in prior years	<u>—</u>	<u>4</u>
	—	4
Deferred income tax	<u>(7)</u>	<u>34</u>
	<u>(7)</u>	<u>38</u>

6. DIVIDENDS

No dividend was paid or proposed by the Company for the years ended 30 June 2021 (2020: Nil).

7. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2021	2020
Loss attributable to owners of the Company (HK\$'000)	(6,017)	(14,493)
Weighted average number of ordinary shares in issue (in thousands)	5,594,000	5,594,000
Basic loss per share (HK cents)	<u>(0.11)</u>	<u>(0.26)</u>

(b) Diluted loss per share

For the years ended 30 June 2021 and 2020, diluted loss per share is the same as basic loss per share as there were no potential dilutive ordinary shares.

8. TRADE AND OTHER RECEIVABLES

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	47,969	75,167
Less: Loss allowance of trade receivables	<u>(1,079)</u>	<u>(1,249)</u>
Net trade receivables	<u>46,890</u>	<u>73,918</u>
Prepayment, deposits and other receivables:		
– Advances to subcontractors	401	2,262
– Payment in advance	792	337
– Deposits and other receivables	21,950	15,440
Less: Loss allowance of deposits and other receivables	<u>(1,129)</u>	<u>(964)</u>
Net deposits and other receivables	<u>20,821</u>	<u>14,476</u>
	<u>22,014</u>	<u>17,075</u>
Non-current portion:		
Rental deposit	<u>–</u>	<u>(150)</u>
Current portion	<u>68,904</u>	<u>90,843</u>

The ageing analysis of the trade receivables based on invoice date is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 90 days	6,499	42,140
91 to 180 days	4,455	3,177
181 to 365 days	5,910	4,580
1 to 2 years	9,596	23,081
Over 2 years	20,430	940
	<u>46,890</u>	<u>73,918</u>

9. CONTRACT ASSETS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Total contract assets:		
— Building maintenance services	35,449	32,638
— Renovation services	27,668	19,242
	<u>63,117</u>	<u>51,880</u>
Comprising:		
Unbilled revenue of building maintenance services	35,449	32,638
Unbilled revenue of renovation services	22,048	12,380
Retention receivables of renovation services	5,620	6,862
	<u>63,117</u>	<u>51,880</u>
Total contract assets	<u>63,117</u>	<u>51,880</u>

Contract assets are related to both building maintenance and renovation contracts. The balance of contract assets balance increased as there were more services provided but yet to be billed as at 30 June 2021.

10. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 HK\$'000
Trade payables	73,094	84,267
Retention money payables	5,229	4,491
Accrued expenses and other payables	17,957	9,734
Deferred subsidy income	–	1,284
Dividend payable to non-controlling interests	779	779
	<u>97,059</u>	<u>100,555</u>

The ageing analysis of the trade payables based on invoice date is as follows:

	2021 <i>HK\$'000</i>	2020 HK\$'000
Within 90 days	36,642	60,659
91 to 180 days	12,794	4,879
181 to 365 days	12,155	9,187
1 to 2 years	9,254	7,291
Over 2 years	2,249	2,251
	<u>73,094</u>	<u>84,267</u>

The carrying amounts of trade and other payables approximately to their fair values, due to the short-term nature. The carrying amounts of the Group's trade and other payables are denominated in HK\$.

11. COMPARATIVE FIGURE

Certain comparative figures have been represented to conform to current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a building maintenance and renovation service provider in Hong Kong. All (100%) revenue for the Year was derived from building maintenance and renovation services in Hong Kong.

The Group has been focusing on these two business segments since its listing on the Stock Exchange in 2015 and continues so as the date of this report. Sing Fat Construction Co., Limited (“**Sing Fat**”) is the sole principal operating subsidiary of the Company, which is a ‘Group M2 (confirmed status)’ building contractor for maintenance works category granted by the Hong Kong Housing Authority (“**Housing Authority**”) and an approved contractor listed in the building (maintenance works) category with a quality maintenance contractor status admitted by the Housing Authority. Building maintenance had accounted for over 65% of the Group’s revenue for the past two years and its principal customers are from the public sector, which includes the Housing Authority, in Hong Kong.

Revenue for the Year was approximately HK\$319.3 million, representing a decrease of approximately HK\$61.2 million or 16.1% when compared to the same period last year of approximately HK\$380.5 million. It was mainly due to the decrease in both building maintenance and renovation segments.

Building maintenance services

As at 30 June 2021, the Group had 2 building maintenance contracts on hand with a notional or estimated contract value of approximately HK\$556.5 million. As at 30 June 2020, the Group had 3 building maintenance contracts on hand with a notional or estimated contract value of HK\$824.5 million. The Group have completed 2 building maintenance contracts during the Year.

Renovation services

As at 30 June 2021, the Group had 8 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\$207.6 million. As at 30 June 2020, the Group had 4 renovation contracts on hand with a notional or estimated contact value of HK\$125.1 million. The Group have completed 3 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\$254.4 million, which will be commenced in October 2021.

Renovation services

During the Year, the Group had been successfully awarded 7 contracts with a notional or estimated contract value of approximately HK\$5.1 million. 4 out of the 7 renovation contracts have been commenced during the Year.

FUTURE DEVELOPMENT

With the outbreak of the COVID-19 in the first half of 2020, there was a decrease of amount in award the contracts in building maintenance projects and renovation services projects in Hong Kong. As in the past few years and since our listing on the Stock Exchange, we will continue to focus on identifying opportunities for building maintenance projects and renovation services projects in our future business development, especially in the Hong Kong 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\$35.1 million or 14.1% from approximately HK\$249.7 million for the year ended 30 June 2020 to approximately HK\$214.6 million during the Year. The decrease in revenue was mainly caused by the reduction of contract sum as compared to last year.

Revenue derived from renovation services decreased by approximately HK\$26.0 million or 19.9% from approximately HK\$130.8 million for the year ended 30 June 2020 to approximately HK\$104.8 million during the Year. The decrease in revenue was mainly caused by the reduction of contract sum.

Gross profit and gross profit margin

During the Year, the Group's gross profit amounted to approximately HK\$21.2 million (2020: HK\$18.1 million) representing an increase of approximately HK\$3.1 million or 17.1%, which is consistent with the decrease in cost of sales. Gross profit margin for the Year was approximately 6.6% (2020: 4.8%). The increase in gross profit margin was caused by the increase in the gross profit margin for both building maintenance and renovation services as the Group successfully obtained contracts with higher profit margin and recognised as revenue in the Year.

Gross profit attributable to building maintenance services for the Year amounted to approximately HK\$16.8 million (2020: HK\$10.7 million), representing an increase of approximately HK\$6.1 million or 57.0%. The Group's gross profit margin for building maintenance services for the Year was approximately 7.8% (2020: 4.3%). The increase in gross profit margin during the Year was attributable to the building maintenance projects

with higher gross profit margin which had offset the negative effect from the decrease in revenue during the Year and resulted in a substantial increase in the aforesaid gross profit for the building maintenance services segment in the Year.

Gross profit attributable to renovation services for the Year amounted to approximately HK\$4.2 million (2020: HK\$4.8 million), representing an decrease of approximately HK\$0.6 million or 12.5%. Gross profit margin from renovation services during the Year was approximately 4.0%, which was remained in the similar level as compared to the year ended 30 June 2020 of approximately 3.7%.

Other income

During the Year, other income increased by approximately HK\$1.6 million or 47.1% from approximately HK\$3.4 million for the same period in 2020 to approximately HK\$5.0 million for the Year, which was mainly due to the government subsidy of HK\$3.2 million (2020: HK\$0.7 million).

Administrative expenses

Administrative expenses decreased by approximately HK\$2.9 million or 8.6% from approximately HK\$33.7 million for the same period in 2020 to approximately HK\$30.8 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.

Finance costs

Finance costs decreased by approximately HK\$14,000 or 16.5% from approximately HK\$85,000 for the same period in 2020 to approximately HK\$71,000 for the Year, which was mainly comprised the obligations under finance leases during the Year.

Income tax expenses

The effective tax rates were approximately -0.1% and +0.3% for the Year and the same period in 2020, respectively. The figure for the Year was mainly represented by the deferred income tax movement.

Loss for the Year

The Group recorded loss for the Year materially decreased by approximately HK\$8.5 million or 58.7% from approximately loss on HK\$14.5 million for the same period in 2020 to approximately loss on HK\$6.0 million for the Year, which was mainly due to better gross profit margin and higher gross profit, the government subsidy of HK\$3.2 million and as well as decrease in administrative expenses.

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 2021, the Group had total cash and bank balances of approximately HK\$38.1 million (2020: HK\$37.1 million). There were no bank borrowings in the Group as at 30 June 2021 and 30 June 2020. As at 30 June 2021, the Group had finance leases of approximately HK\$0.4 million (2020: nil). All the cash and bank balances was denominated in Hong Kong dollar as at 30 June 2021. As at 30 June 2021, the share capital and equity attributable to owners of the Company amounted to approximately HK\$11.2 million and HK\$143.8 million respectively (2020: HK\$11.2 million and HK\$149.8 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 1.0% and 0.2% as at 30 June 2021 and 30 June 2020, respectively. The increase in gearing ratio is due to the increase of the leases liabilities during the Year.

Charge over assets of the Group

As at 30 June 2021, the Group had pledged bank deposits of approximately HK\$1.3 million (2020: 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 2021, the Group had motor vehicle under finance leases of approximately HK\$0.4 million (2020: nil)

Contingent liabilities

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 these legal claims were well covered by insurance and subcontractors' indemnity. No provision for the contingent liabilities in respect of the litigations is necessary, after due consideration of each case and with reference to the legal advice, historical records and an outflow of economic benefits is not probable.

Guarantee issued

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

	30 June 2021 <i>HK\$'000</i>	30 June 2020 <i>HK\$'000</i>
Performance bonds in favor of its clients	<u>1,250</u>	<u>1,250</u>

As at 30 June 2021, the amounts of approximately HK\$1,250,000 (2020: HK\$1,250,000) of performance bonds were given by a bank in favour of some of the Group's customers as security for the 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 2021 (2020: nil).

Employees and remuneration policies

As at 30 June 2021, the Group had approximately 93 employees (2020: 93). 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.

DIVIDENDS

The Board does not recommend the payment of final dividend for the Year (2020: 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 as follows:

Code provision C.1.6 of the CG Code provides that generally independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Also, under the code provision F.2.2 of the CG Code, the chairman of the board, the chairmen of the audit, remuneration, nomination committees and the external auditor should attend the annual general meeting. As no general meeting had been held in the Year, the aforesaid requirements have not been fulfilled.

In respect of code provision D.1.2 of the CG Code, the Company did not provide all members of the Board with monthly updates. However, the Company had based on business situation, provided to the Board from time to time, updated business information to enable the Board as a whole and each Director to discharge their duties. The Company considered that this arrangement was sufficient for the Board to discharge its duties. Nonetheless, the Company has since February 2023 complied with this code provision by providing monthly updates to its Board members.

For the period from 17 February 2021 to 27 February 2021, the Company had temporarily not complied with certain provisions of the Listing Rules due to the resignation of two independent non-executive Directors. The non-compliance, which has been remedied with the appointment of Mr. Ross Yu Limjoco and Ms. Wong Carol Ka Low as independent non-executive Directors with effect from 28 February 2021, include the Company's failure to have (i) at least three independent non-executive directors on the Board under Rule 3.10(1) of the Listing Rules; (ii) at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10(2) of the Listing Rules; (iii) the number of independent non-executive directors representing one-third of the Board as required under Rule 3.10A of the Listing Rules; (iv) the Audit Committee comprising only non-executive directors with a minimum of three members under Rule 3.21 of the Listing Rules; (v) the Remuneration Committee comprising a majority of independent non-executive directors under Rule 3.25 of the Listing Rules; and (vi) the Nomination Committee comprising a majority of independent non-executive directors under the then code provision A.5.1 of the CG Code.

Save for the deviation as mentioned above, in the opinion of the Directors, the Company was in compliance with all the relevant code provisions under the CG Code throughout the year ended 30 June 2021.

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**”) set out in Appendix 10 to the Listing Rules regarding securities transactions for its Directors. After having made specific enquiries through current board members, all of them confirmed that they have complied with the required standard of dealings set out in the Model Code throughout the year ended 30 June 2021.

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. As at the date of this announcement, our Audit Committee consists of Mr. Liew Swee Yean (chairman), Mr. Huang Shuhui and Ms. Wong Ying.

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

SCOPE OF WORK OF AUDITOR

The financial figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 June 2021 as set out in the preliminary announcement have been compared by the Group’s auditor, Linksfeld CPA Limited (“**Linksfeld**”), Certified Public Accountants, to the amounts set out in the Group’s audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by Linksfeld in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

SUSPENSION OF TRADING

Due to the delay in publication of the audited annual results of the Company for the year ended 30 June 2021, trading in the shares of the Company on the Stock Exchange has been suspended since 9:00 a.m. on 4 October 2021. On 21 December 2021, the Company received a letter from the Stock Exchange setting out the resumption guidance, which details were set out in the Company's announcement dated 24 December 2021. Trading in the shares of the Company remain suspended as at the date of this announcement and the Company is providing information to the Stock Exchange to demonstrate fulfilment of the resumption guidance and aim for resumption in trading of the Company's Shares as soon as possible.

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 (<https://chsc.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, 3 April 2023

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. Wong Ka Shing and three independent non-executive Directors, namely Mr. Huang Shuhui, Ms. Wang Ying and Mr. Liew Swee Yean.