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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

(All in Hong Kong dollar)

	Six months ended 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	247,060	140,332
Gross profit	12,208	4,327
Net loss for the Period	(953)	(9,651)
Basic loss per share	(0.02 cents)	(0.17 cents)
Adjusted profit/(loss) before Resumption Related Expenses for the Period	1,486	(9,651)

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Supply Chain Holdings Limited (the “**Company**”) hereby present the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 31 December 2022 (the “**Period**”), together with the comparative figures for the corresponding period in 2021.

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

For the six months ended 31 December 2022

	Notes	Six months ended 31 December	
		2022	2021
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	3	247,060	140,332
Cost of sales		<u>(234,852)</u>	<u>(136,005)</u>
Gross profit		12,208	4,327
Other income		1,461	173
Resumption related expenses		(2,439)	–
Administrative expenses		(12,079)	(14,189)
Finance costs	4	<u>(147)</u>	<u>(26)</u>
Loss before taxation		(996)	(9,715)
Income tax credit	5	<u>43</u>	<u>64</u>
Loss for the period	6	<u>(953)</u>	<u>(9,651)</u>
Other comprehensive income for the period		<u>–</u>	<u>–</u>
Total comprehensive loss for the period		<u>(953)</u>	<u>(9,651)</u>
(Loss)/profit for the period attributable to:			
– Owners of the Company		(969)	(9,614)
– Non-controlling interests		<u>16</u>	<u>(37)</u>
		<u>(953)</u>	<u>(9,651)</u>
Total comprehensive (loss)/income for the period			
– Owners of the Company		(969)	(9,614)
– Non-controlling interests		<u>16</u>	<u>(37)</u>
		<u>(953)</u>	<u>(9,651)</u>
Loss per share attributable to the owners of the Company (<i>in HK cents</i>)			
Basic and diluted	8	<u>(0.02)</u>	<u>(0.17)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		31 December 2022 <i>HK\$'000</i> (Unaudited)	30 June 2022 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	9	2,186	2,074
Right-of-use assets		3,167	4,885
Rental deposit		150	150
		5,503	7,109
Current assets			
Trade and other receivables	10	83,546	85,050
Consideration receivables		9,100	9,100
Loan and interest receivables		11,423	11,423
Contract assets		71,314	59,325
Tax recoverable		91	–
Time deposits with original maturity over three months		10,000	15,000
Pledged bank deposits	14	1,280	1,279
Cash and cash equivalents		34,396	41,829
		221,150	223,006
Current liabilities			
Trade and other payables	11	90,796	92,218
Lease liabilities		2,184	2,239
		92,980	94,457
Net current assets		128,170	128,459
Total assets less current liabilities		133,673	135,658

	31 December	30 June
	2022	2022
	HK\$'000	HK\$'000
	<i>Notes</i> (Unaudited)	(Audited)
Non-current liabilities		
Long service payment obligations	266	266
Lease liabilities	773	1,761
Deferred income tax liabilities	302	346
	<u>1,341</u>	<u>2,373</u>
Net assets	<u>132,332</u>	<u>133,285</u>
EQUITY		
Share capital	<i>12</i> 11,189	11,189
Reserves	<u>120,526</u>	<u>121,495</u>
Equity attributable to:		
Owners of the Company	131,715	132,684
Non-controlling interests	<u>617</u>	<u>601</u>
Total equity	<u>132,332</u>	<u>133,285</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of China Supply Chain Holdings Limited and its subsidiaries (collectively referred to as the “Group”) for the six months ended 31 December 2022 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value.

The accounting policies used in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 30 June 2022.

All HKFRSs effective for the accounting periods commencing from 1 January 2021 and relevant to the Group, have been adopted by the Group in the preparation of the unaudited condensed consolidated results. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s results and financial position.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs in current or future reporting periods, these new HKFRSs are not expected to have a material impact on its results of operations and financial position.

All significant transactions and balances among the companies comprising the Group have been eliminated on consolidation.

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 (2021: 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 loss before income tax, and consider all businesses are included in the two segments:

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

(a) Segment revenue and results

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

For the six months ended 31 December 2022

	Building maintenance <i>HK\$'000</i> (Unaudited)	Renovation <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue	<u>185,257</u>	<u>61,803</u>	<u>247,060</u>
Segment profit	<u>9,433</u>	<u>2,775</u>	<u>12,208</u>
Unallocated corporate income			1,461
Central administration costs			(14,518)
Finance costs			<u>(147)</u>
Loss before taxation			<u>(996)</u>

For the six months ended 31 December 2021

	Building maintenance <i>HK\$'000</i> (Unaudited)	Renovation <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue	<u>94,138</u>	<u>46,194</u>	<u>140,332</u>
Segment profit	<u>2,648</u>	<u>1,627</u>	<u>4,275</u>
Unallocated corporate income			173
Central administration costs			(14,137)
Finance costs			<u>(26)</u>
Loss before taxation			<u>(9,715)</u>

The accounting policies of the reporting and operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of certain unallocated corporate income, central administration costs 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 six months ended 31 December 2022 and 2021.

(b) Segment assets and liabilities

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

	31 December 2022 HK\$'000 (Unaudited)	30 June 2022 HK\$'000 (Audited)
Segment assets		
Building maintenance	80,582	66,759
Renovation	51,620	55,260
Total segment assets	132,202	122,019
Unallocated corporate assets	94,451	108,096
Total assets	226,653	230,115
Segment liabilities		
Building maintenance	46,764	43,292
Renovation	32,946	36,230
Total segment liabilities	79,710	79,522
Unallocated corporate liabilities	14,611	17,308
Total liabilities	94,321	96,830

4. FINANCE COSTS

	Six months ended 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on:		
– Lease liabilities	<u>147</u>	<u>26</u>

5. INCOME TAX CREDIT

	Six months ended 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	–	–
Deferred tax	<u>43</u>	<u>64</u>
	<u>43</u>	<u>64</u>

6. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging/(crediting):

	Six months ended 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Bank interest income	(200)	(150)
Other income	(1,261)	(23)
Loss on disposal of property, plant and equipment	191	52
Depreciation of property, plant and equipment	340	159
Depreciation of right-of-use assets	1,001	553
Reversal of impairment of trade and other receivables (<i>Note i</i>)	<u>(4)</u>	<u>(379)</u>

Note:

- i. Reversal of impairment of trade and other receivables credited in administrative expenses.

7. DIVIDENDS

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 31 December 2022 (2021: nil).

8. LOSS PER SHARE

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

	Six months ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the purpose of basic loss per share	<u>(969)</u>	<u>(9,614)</u>
	Six months ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>in thousands</i>)	<u>5,594,000</u>	<u>5,594,000</u>
Basic loss per share (<i>in HK cents</i>)	<u>(0.02)</u>	<u>(0.17)</u>

The diluted loss per share is equal to the loss per share as there were no dilutive potential ordinary shares during the six months ended 31 December 2022 and 2021.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2022, the Group disposed of property, plant and equipment with a net carrying value of approximately HK\$223,000 for cash proceeds of HK\$32,000. Property, plant and equipment amounting to approximately HK\$675,000 were transferred from right-of-use assets.

During the six months ended 31 December 2021, property, plant and equipment with a net carrying value of approximately HK\$702,000 were disposed of by the Group for cash proceeds of HK\$650,000.

10. TRADE AND OTHER RECEIVABLES

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. For the sales of visible light photocatalysis products, the Group generally allows an average credit period of 120 days to the customers. The following is an ageing analysis of trade receivables, presented based on the certified report and/or based on invoice dates which approximate revenue recognition date at the end of the reporting period:

	31 December 2022 HK\$'000 (unaudited)	30 June 2022 HK\$'000 (Audited)
Within 90 days	34,129	27,811
91 to 180 days	6,657	8,637
181 to 365 days	9,837	13,185
1 to 2 years	5,804	7,635
Over 2 years	1,849	2,231
	<u>58,276</u>	<u>59,499</u>

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:

	31 December 2022 HK\$'000 (unaudited)	30 June 2022 HK\$'000 (Audited)
Within 90 days	62,625	49,784
91 to 180 days	5,956	12,907
181 to 365 days	1,378	7,172
1 to 2 years	1,441	870
Over 2 years	1,852	2,771
	<u>73,252</u>	<u>73,504</u>

12. SHARE CAPITAL

Ordinary share	Number of Ordinary shares	Nominal value of ordinary shares HK\$'000
Authorised:		
Ordinary share of HK\$0.002 each at 30 June 2022 (audited) and 31 December 2022 (unaudited)	<u>10,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
Ordinary share of HK\$0.002 each at 30 June 2022 (audited) and 31 December 2022 (unaudited)	<u>5,594,000,000</u>	<u>11,189</u>

13. 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 of the Company 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 and with reference to the legal opinion.

(b) Guarantee issued

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

	31 December 2022 HK\$'000 (Unaudited)	30 June 2022 HK\$'000 (Audited)
Performance bonds in favor of its clients	<u>1,250</u>	<u>1,250</u>

As at 31 December 2022, HK\$1,250,000 (30 June 2022: 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 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.

14. PLEDGE OF ASSETS

As at 31 December 2022, the Group had pledged bank deposits of approximately HK\$1.3 million (30 June 2022: HK\$1.3 million) to banks to secure the banking facilities granted to the Group. In addition, the Group's obligations under finance leases were secured by the lessors' title to the leased motor vehicles with carrying value of approximately HK\$0.5 million (30 June 2022: HK\$1.8 million).

15. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of directors of the Company and other members of key management personnel during the period were as follows:

	Six months ended 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Short-term benefits	<u>428</u>	<u>29</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

China Supply Chain Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is a building maintenance and renovation service provider 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 announcement. For the six months period ended 31 December 2022 (the “**Period**”), the Group derived its entire (100%) revenue from these two business segments, in which approximately 75% was from the building maintenance segment.

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 segment’s principal customers are from the public sector, which includes the Housing Authority, in Hong Kong.

Revenue for the Period was approximately HK\$247.1 million, representing a substantial increase of approximately HK\$106.8 million or 76.1% when compared to the corresponding period last year of approximately HK\$140.3 million. This encouraging increase was mainly due to full-period impact of the contracts of the Housing Authority which commenced in October 2021 and April 2022.

Reconciliation on the adjusted profit for the Period

	Six months ended 31 December 2022 HK\$’000 (unaudited)
Loss for the Period	(953)
Less: Resumption Related Expenses	<u>2,439</u>
Adjusted profit before Resumption Related Expenses for the Period	<u><u>1,486</u></u>

Loss of the Company for the Period was approximately HK\$1 million, representing a substantial decrease of approximately HK\$8.7 million or 89.7% when compared to the corresponding period last year of approximately HK\$9.7 million. Due to suspension in trading of the shares of the Company on the Stock Exchange (“**Suspension**”) and in order to fulfill the resumption guidance from the Stock Exchange, the Company engaged various professional parties for the purpose of resumption (“**Resumption**”). This resulted in non-recurring resumption related expenses (“**Resumption Related Expenses**”) of approximately HK\$2.4 million for the Period (2021: nil).

Before the Resumption Related Expenses, profit of the Company for the Period would be approximately HK\$1.5 million. Thus the loss of the Company for the previous financial years should have been turnaround to profit in the six months period ended 31 December 2022 but for the Resumption Related Expenses incurred due to Suspension.

The Resumption Related Expenses are non-recurring in nature since the Company will cease to record such expenses after Resumption.

Building maintenance services

As at 31 December 2022, we had 3 building maintenance contracts on hand with a notional or estimated contract value of approximately HK\$1,170 million. As at 30 June 2022, we had 3 building maintenance contracts on hand with a notional or estimated contract value of approximately HK\$1,170 million. During the Period, the Group has not completed any building maintenance contract.

Renovation services

As at 31 December 2022, we had 12 renovation contracts on hand with a notional or estimated contract value of approximately HK\$273.9 million. As at 30 June 2022, we had 13 renovation contracts on hand with a notional or estimated contract value of approximately HK\$255.9 million. During the Period, the Group had completed 6 renovation contracts.

RECENT DEVELOPMENT

Building maintenance services

During the Period, for the core business of maintenance works in public sector, we had no new contracts has been awarded along the Period.

Renovation services

For renovation services, the Group was awarded 5 contracts with notional or estimated contract value of approximately HK\$37.5 million during the Period. 2 out of the 5 renovation contracts have been commenced during the Period.

FUTURE DEVELOPMENT

We will continue to focus on identifying opportunities for building maintenance projects, 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 increased by approximately HK\$91.2 million or 96.9% from approximately HK\$94.1 million for the period ended 30 December 2021 to approximately HK\$185.3 million during the Period. During the Period, there are 3 ongoing building maintenance projects compared with 2 ongoing building maintenance projects during the last period. However, one of the projects for the last period was at its commencement stage and there was no significant amount of revenue generated. As a result, the revenue for the current Period is significantly higher than last period.

Revenue derived from renovation services increased by approximately HK\$15.6 million or 33.8% from approximately HK\$46.2 million in the corresponding period in 2021 to approximately HK\$61.8 million during the Period. The increase in revenue was mainly contributed by increase in contract sum and as so respective revenue recognised over the Period.

Gross profit and gross profit margin

During the Period, the Group's gross profit amounted to approximately HK\$12.2 million (2021: HK\$4.3 million) representing an increase of approximately HK\$7.9 million. Gross profit margin for the Period was approximately 4.9% (2021: 3.1%). The increase in gross profit margin was caused by the increase in the gross profit margin for both building maintenance and renovation services.

Gross profit attributable to building maintenance services for the Period amounted to approximately HK\$9.4 million (2021: HK\$2.7 million). The Group's gross profit margin for building maintenance services for the Period was approximately 5.1% (2021: 2.9%). The increase in gross profit margin during the Period was attributable to the current Period building maintenance project with higher gross profit margin than prior period.

Gross profit attributable to renovation services for the Period amounted to approximately HK\$2.8 million (2021: HK\$1.6 million), representing an increase of approximately HK\$1.2 million or 75%. Gross profit margin from renovation services during the Period was approximately 4.5%, which was higher than the corresponding period in 2021 of approximately 3.5%. The increase in gross profit margin was attributable implementation of cost control procedures.

Other income

During the Period, other income increased by approximately HK\$1.3 million or 650% from approximately HK\$0.2 million for the corresponding period in 2021 to approximately HK\$1.5 million for the Period.

Resumption related expenses

Due to Suspension and in order to fulfill the resumption guidance from the Stock Exchange, the Company engaged various professional parties for the purpose of Resumption. This resulted in non-recurring Resumption Related Expenses of approximately HK\$2.4 million for the Period (2021: nil).

Before the Resumption Related Expenses, profit of the Company for the Period would be approximately HK\$1.49 million (2021: loss of HK\$9.7 million). Thus the loss of the Company for the previous financial years should have been turnaround to profit in the six months period ended 31 December 2022 but for the Resumption Related Expenses incurred due to Suspension.

The Resumption Related Expenses are non-recurring in nature since the Company will cease to record such expenses after Resumption.

Administrative expenses

Administrative expenses decreased by approximately HK\$2.1 million or 14.8% from approximately HK\$14.2 million for the corresponding period in 2021 to approximately HK\$12.1 million for the Period. The decrease was caused by the decrease in the operating costs of the Company.

Finance costs

Finance costs of the Group was still maintained at a low level of approximately HK\$147,000 (2021: HK\$26,000). The increase was mainly due to the increase of lease liabilities during the Period.

(Loss)/profit for the Period

The Group recorded loss for the Period of approximately HK\$0.95 million (2021: HK\$9.7 million). The change was mainly attributable to the significant increase in revenue and improvement in gross profit margin.

However, as elaborated in the above section headed “Resumption related expenses”, the Company should have recorded a profit of approximately HK\$1.49 million for the Period before inclusion of the Resumption Related Expenses of approximately HK\$2.4 million incurred due to Suspension.

Thus the loss of the Company for the previous financial years should have been turnaround to profit in the six months period ended 31 December 2022 but for the Resumption Related Expenses incurred due to Suspension.

Liquidity, financial resources and capital structure

The Group generally finances its operation through cash from operations, bank borrowings and finance leases. As at 31 December 2022, the Group had total cash and bank balances of approximately HK\$34.4 million (30 June 2022: HK\$41.8 million). As at 31 December 2022, the Group had finance lease of approximately HK\$0.1 million (30 June 2022: HK\$0.3 million). All the cash and bank balances were denominated in Hong Kong dollar. As at 31 December 2022, the share capital and equity attributable to owners of the Company amounted to approximately HK\$11.2 million and HK\$131.7 million respectively (30 June 2022: HK\$11.2 million and HK\$132.7 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 Period.

Gearing ratio

Gearing ratio is calculated based on the total debts divided by the total equity. The gearing ratio was approximately 2.2% and 3.0% as at 31 December 2022 and 30 June 2022, respectively. The decrease in gearing ratio is due to decrease in lease liabilities.

Charge over assets of the Group

As at 31 December 2022, the Group had pledged bank deposits of approximately HK\$1.3 million (30 June 2022: HK\$1.3 million) to banks to secure the banking facilities granted to the Group. In addition, the Group's obligations under finance leases were secured by the lessors' title to the leased motor vehicles with carrying value of approximately HK\$0.5 million (30 June 2022: 1.2 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 and with reference to the legal advice.

(b) *Guarantee issued*

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

	31 December 2022 HK\$'000 (Unaudited)	30 June 2022 HK\$'000 (Audited)
Performance bonds in favor of its clients	<u>1,250</u>	<u>1,250</u>

As at 31 December 2022, HK\$1,250,000 (30 June 2021: 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 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 31 December 2022 (30 June 2021: nil).

Employees and remuneration policies

As at 31 December 2022, the Group had approximately 113 employees (30 June 2022: 115). 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

There is no important events affecting the Group which have occurred since the end of the Period.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2022 (2021: nil).

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

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

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 Period, 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 Period, the aforesaid requirements had 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.

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 Period.

COMPLIANCE WITH MODEL CODE FOR 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 Period.

AUDIT COMMITTEE

The Company has an audit committee (the “**Audit Committee**”) established in compliance with Rule 3.21 of the Listing Rules with written terms of reference in compliance with the Corporate Governance Code. The responsibilities of the Audit Committee include reviewing financial statements, monitoring the appointment of and non-audit work undertaken by external auditors and reviewing the effectiveness of the internal controls of the Group. 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 interim financial results of the Group for the Period are unaudited but have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

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 as soon as possible.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

This interim results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (<https://chsc.com.hk>). The interim report for the six months ended 31 December 2022 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 4 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.