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森美(集團)控股有限公司  
**Summi (Group) Holdings Limited**  
*(incorporated in the Cayman Islands with limited liability)*  
**(Stock code: 00756)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018**

**FINANCIAL HIGHLIGHTS**

|   | <b>Six months ended</b>                           |   | Change %<br>(Approximate) |
|---|---|---|---------------------------|
|   | <b>31 December<br/>2018<br/>RMB'000</b>           | <b>31 December<br/>2017<br/>RMB'000</b>       |                           |
| <b>Statement of profit or loss and other comprehensive income</b> |   |   |                           |
| Revenue   | 23,963  | 316,237                                       | (92%)                     |
| Gross profit  | 1,366   | 115,650                                       | (99%)                     |
| Gross profit margin   | 5.70%   | 36.6%   | (30.9pp)                  |
| (Loss)/profit for the period                                      | (97,500)  | 47,197  | (307%)                    |
| Basic (loss)/earnings per share<br>(RMB cents)                    | <u>(7.23)</u>                                     | <u>3.50</u>                                   | <u>(307%)</u>             |
|   | <b>As at<br/>31 December<br/>2018<br/>RMB'000</b> | <b>As at<br/>30 June<br/>2018<br/>RMB'000</b> | Change %<br>(Approximate) |
| <b>Statement of financial position</b>                            |   |   |                           |
| Bank balances and cash  | 19,340  | 521,487                                       | (96%)                     |
| Inventories   | 43,957  | 57,131  | (23%)                     |
| Trade receivables   | 4,252   | 168,505                                       | (97%)                     |
| Bank loans  | 615,772   | 892,932                                       | (31%)                     |
| Net assets value ("NAV")  | <u>1,684,110</u>                                  | <u>1,744,191</u>                              | <u>(3%)</u>               |

The board (the “Board”) of directors (the “Directors”) of Summi (Group) Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 December 2018 (the “Reporting Period”). The unaudited condensed consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (the “IASB”), and have been reviewed by the audit committee of the Company.

## **BUSINESS REVIEW AND PROSPECT**

The Group’s operations during the Reporting Period significantly declined. The operation of each major segment has experienced challenges as the Group was undergoing business reorganisation during the Reporting Period. During the Reporting Period, the management of the Group is committed to reorganising the structure of each segment and maintaining close communication with suppliers, customers and banks in order to rebuild the confidence of various stakeholders for the Group. Given that the Group is still in the time of difficulties, the management of the Group expects to cope with the challenge through cutting expenses and minimising costs.

## **OPERATING PERFORMANCE**

### **Summi fresh orange juice**

For the Reporting Period, the Group’s sales decreased significantly by approximately 92.7% to approximately RMB5,612,000 from approximately RMB76,381,000 for the same period last year, which is due to that during the Reporting Period, the Group was rebuilding its major sales team and the management of the Group was reviewing the overall operational strategy for Summi fresh orange juice. The management of the Group is of the view that the existing sales strategy cannot support the operational costs and selling expenses of this business segment in the long run. Therefore, the management of the Group will make adjustments in the near future, including reviewing the production costs, package and categories of the product and considering factors such as sales contribution of and resource allocation between domestic and overseas markets.

### **FCOJ and related products**

The Group’s FCOJ and related products were affected by the changes in the management, due to which certain major customers started to purchase products from our competitors during the Reporting Period. As a result, the sales of FCOJ and Orange Pulp decreased by approximately 82% and 97% to approximately RMB16,216,000 and RMB2,135,000 for the Reporting Period from approximately RMB88,612,000 and RMB65,079,000 for the same period last year, respectively.

## **Sales and output of fresh oranges**

During the Reporting Period, there was no output of fresh oranges as compared to approximately 64,345 tonnes for the same period last year, as the harvest season came later than that of last year. Moreover, in light of the dropping output and quality of fruits in the Group's plantations during the Reporting Period, the Group invested approximately RMB450,000,000 in land improvement works in this year, the effectiveness of which is yet to be proven.

## **Gross Profit**

During the Reporting Period, the Group's gross profit was approximately RMB1,366,000, representing a decrease of approximately 99% compared to approximately RMB115,650,000 over the same period last year. The Group's gross profit margin decreased to approximately 5.70% (31 December 2017: 36.6%). The decrease in gross profit margin during the Reporting Period is due to rising costs caused by dropping sales volume.

## **Gain from changes in fair value of biological assets less costs to sell**

During the Reporting Period, as the harvest season of the Group has not begun yet, the Group has recorded no gain from changes in fair value of biological assets less costs to sell as compared with that of approximately RMB46,949,000 for the same period last year.

## **Distribution costs and administrative expenses**

The Group's distribution costs mainly included marketing expenses and transportation costs. Distribution costs decreased by approximately 60% from approximately RMB43,658,000 over the same period last year to approximately RMB17,330,000 during the year. The decrease was mainly due to the discontinuation of most marketing expenses during the Reporting Period as the Group was adjusting its sales strategy for Summi fresh orange juice, in order to ensure the effective use of financial resources.

The Group's administrative expenses mainly included general office administrative expenses, salaries, amortisation, etc. Administrative expenses increased from approximately RMB47,228,000 over the same period last year to approximately RMB62,822,000 during the Reporting Period.

## **Finance costs**

During the Reporting Period, the Group's finance costs were approximately RMB29,632,000 (31 December 2017: approximately RMB28,662,000).

## **Net loss**

During the Reporting Period, the Group's net loss was approximately RMB97,500,000, an decrease of approximately 307% compared to net profit of approximately RMB47,197,000 over the same period last year.

## **Interim dividend**

The Board has resolved not to declare any interim dividend for the six months ended 31 December 2018 (31 December 2017: nil).

## **LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL STRUCTURE**

### **Held-to-Maturity Investments**

As at 31 December 2018, the Group had sold all the held-to-maturity investments (30 June 2018: approximately RMB16,918,000).

### **Liquidity**

As at 31 December 2018, current assets amounted to approximately RMB638,030,000 (30 June 2018: approximately RMB1,265,652,000); current liabilities amounted to approximately RMB790,851,000 (30 June 2018: approximately RMB667,118,000).

### **Financial Resources**

As at 31 December 2018, the Group had cash and cash equivalents and pledged bank deposits of approximately RMB19,340,000 (30 June 2018: approximately RMB521,487,000) and approximately RMB74,375,000 (30 June 2018: approximately RMB191,730,000) respectively, as well as total bank loans of approximately RMB615,772,000 (30 June 2018: approximately RMB892,932,000).

As at 31 December 2018, the Group's trade receivables amounted to approximately RMB4,252,000 (30 June 2018: approximately RMB168,505,000), and inventory amounted to approximately RMB43,957,000 (30 June 2018: approximately RMB57,131,000).

## Gearing

The Board's approach to manage our working capital is to ensure sufficient current assets to meet its maturing liabilities, so as to avoid any unacceptable losses or damage to the Group's reputation.

|                               | 2018         | 2017         |
|-------------------------------|--------------|--------------|
| Quick ratio (x)               | 0.74         | 2.0          |
| Current ratio (x)             | 0.8          | 2.1          |
| Gearing ratio ( <i>note</i> ) | <u>38.9%</u> | <u>50.9%</u> |

*Note:* Gearing ratio is defined as the sum of bank loans and corporate bonds over total equity.

## Capital Structure

As at 31 December 2018, the total number of issued shares of the Company (the "Shares") was 1,347,860,727 Shares. Based on the closing price of HK\$0.198 per Share as at 31 December 2018, the Company's market capitalisation was HK\$266,876,423.95.

## FOREIGN EXCHANGE EXPOSURE

The Group is subject to foreign exchange risk of different currencies, primarily with respect to the United States Dollar. Foreign currency exposure arises out of future commercial activities, recognised assets and liabilities and net investment in overseas business. Furthermore, the exchange of Renminbi ("RMB") is subject to foreign exchange control regulations and laws of the government of PRC. The Group has established a set of foreign exchange exposure management policies, utilising forward contracts and multiple derivative tools to mitigate the related risks.

## PLEDGE OF ASSETS

As at 31 December 2018, the Group had pledged the following assets to banks to secure banking facilities granted to the Group:

|                               | 31 December<br>2018<br><i>RMB'000</i> | 30 June<br>2018<br><i>RMB'000</i> |
|-------------------------------|---------------------------------------|-----------------------------------|
| Held-to-maturity investment   | —                                     | 16,918                            |
| Property, plant and equipment | 47,662                                | 47,632                            |
| Land use rights               | 7,396                                 | 9,272                             |
| Pledged bank deposits         | <u>74,375</u>                         | <u>191,730</u>                    |
|                               | <u>129,433</u>                        | <u>265,552</u>                    |

## **CONTINGENT LIABILITIES**

As at 31 December 2018, the Group had no material contingent liabilities (30 June 2018: nil).

## **CAPITAL EXPENDITURE**

During the Reporting Period, the Group's capital expenditure amounted to nil (2017: approximately RMB31,120,000) which was used for acquisition of property, plant and equipment, and land use rights.

### **Orange Plantations**

The Group currently operates a fruit-bearing orange plantation of approximately 146,000 mu (equivalent to approximately 97.34 km<sup>2</sup>) in Chongqing. In December 2016, the Group's orange plantation was awarded a certificate of Sustainable Agriculture Guiding Principles ("SAGP") from a leading global beverage company to provide to the aforementioned company fresh oranges required for the production of FCOJ. The accreditation signifies that the Group's agricultural practice complies with the stringent requirements set out by this international beverage giant for sustainable provision of healthy agricultural products in an environmental-friendly manner. The Group is the only orange juice supplier in the world certified for compliance of SAGP stipulated by the aforementioned beverage giant. The Group believes that such accreditation will strengthen our long-term relationship with this major client.

## **PLANTS**

The Group owns four highly-efficient FCOJ production plants and one brand new plant for the production of orange juice not from concentrate, strategically located in China's major citrus growing areas (namely Chongqing, Fujian and Hunan). All plants are equipped with advanced flowline production equipment imported from the United States, Switzerland, Italy and Germany.

The Group possesses rich experience and can successfully manage the production demands of orange juice processing plants. The design of production flow is a result of the Group's understanding of design and manufacturing processes and years of research and development effort, so that the Group can make optimal use of production equipment to manufacture processed orange juice of excellent quality.

## **INTEGRATED OPERATION MODEL**

The Group adopts an integrated operation model, enhancing our value chain, and is one of the few concentrated orange juice producers in the PRC involved in upstream operations of self-operated orange plantations.

## **HUMAN RESOURCES AND REMUNERATION POLICY**

As at 31 December 2018, the Group had 98 employees (2017: 912 employees). The Group offers excellent remuneration, discretionary bonuses and social insurance benefits to its employees. In addition, a share option scheme (the “Scheme”) has been adopted on 7 June 2008 for the employees of the Group. The limit in respect of Shares that may be issued pursuant to the exercise of all share options granted under the Scheme has been refreshed on 5 November 2012.

## **CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF CHAPTER 13 OF THE LISTING RULES**

There exists no reporting obligation by the Company under rule 13.17 of the Listing Rules.

The following are the details of the loan agreement with covenants relating to specific performance on the controlling shareholders of the Company as at 31 December 2018 pursuant to rule 13.18 of the Listing Rules.

On 8 August 2016, the Company (as borrower), certain of its subsidiaries which are not incorporated in the People’s Republic of China (as corporate guarantors) and Mr. Sin (as individual guarantor) entered into a facility agreement (the “Facility Agreement”) with several financial institutions (as lender), relating to a term facility up to an amount of USD80,000,000.

Pursuant to the Facility Agreement, it would be an event of default under the Facility Agreement if Mr. Sin and his family acting in concert do not, or cease to beneficially own (directly or indirectly) 30% or more of the issued voting equity share capital of the Company or do not, or cease to exercise the power to direct the Company’s policies and management, whether by contact or otherwise; or (ii) Mr. Sin is not, or ceases to be the chairman and president of the Company and/or does not, or cease to, have legal capacity to execute, deliver and perform his obligations under the Facility Agreement.

The following are the details of the breach of loan agreement by the Company as at 31 December 2018 pursuant to rule 13.19 of the Listing Rules.

On 2 November 2018, the Company received a demand letter (the “Demand Letter”) in relation to a facility agreement dated 8 August 2016 made between (amongst others) the Company as borrower, Mr. Sin Ke as personal guarantor, Bank of China (Hong Kong) Limited, Hang Seng Bank Limited and The Hongkong and Shanghai Banking Corporation Limited as mandated lead arrangers, Nanyang Commercial Bank Limited and Industrial and Commercial Bank of China (Asia) Limited as senior lead arrangers, the financial institutions listed therein as the original lenders, and Bank of China (Hong Kong) Limited as agent (the “Facility Agreement”).

It is stated in the Demand Letter, *inter alia*, that:

- (a) the acquisition of 602,980,145 shares of the Company by Rui Er Holdings Company Limited from Key Wise Group Limited which took place on 15 October 2018 constitutes an event of default under the Facility Agreement;
- (b) as of 31 October 2018, the outstanding first repayment instalment under the Facility Agreement was not paid in full and certain PRC entities have not executed guarantees in favour of the finance parties under the Facility Agreement, and that failure to remedy the same constitutes an event of default under the Facility Agreement;
- (c) the Company is being notified that all of the loans, together with accrued interests, and all other amounts accrued or outstanding under the Finance Documents (as defined in the Facility Agreement) are immediately due and payable;
- (d) the Company is being demanded to make immediate payment in the sum of US\$8,301,798.79 (equivalent to approximately HK\$64,720,823.37); and
- (e) if the Company fails to pay all outstanding amounts on or before 5 November 2018, the agent and the lenders under the Facility Agreement may commence legal action against the Company without further notice.

The Company is currently in the process of discussion with its bankers, bondholders and creditors as necessary with a view to agreeing on arrangements which facilitate the Company to meet its obligations, including but not limited to the loans under the Facility Agreement.



The unaudited financial information for the six months ended 31 December 2018 together with the comparative figures for the corresponding periods in 2017 were as follows:

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

*For the six months ended 31 December 2018*

|  | <i>Notes</i> | <b>Six months ended</b> |                    |
|--|--------------|-------------------------|--------------------|
|  |              | <b>31 December</b>      | <b>2017</b>        |
|  |              | <b>2018</b>             | <b>2017</b>        |
|  |              | <b>RMB'000</b>          | <b>RMB'000</b>     |
|  |              | <b>(unaudited)</b>      | <b>(unaudited)</b> |
| Revenue  | 2            | <b>23,963</b>           | 316,237            |
| Cost of sales  |              | <u><b>(22,597)</b></u>  | <u>(200,587)</u>   |
| <b>Gross profit</b>  |              | <b>1,366</b>            | 115,650            |
| Gain from changes in fair value of biological<br>assets less costs to sell                           |              | –                       | 46,949             |
| Other revenue  | 3            | <b>10,355</b>           | 3,679              |
| Distribution costs   |              | <b>(17,330)</b>         | (43,658)           |
| Administrative expenses  |              | <u><b>(62,822)</b></u>  | <u>(47,228)</u>    |
| <b>(Loss)/profit from operations</b>   |              | <b>(68,431)</b>         | 75,392             |
| Finance costs  | 4            | <u><b>(29,632)</b></u>  | <u>(28,662)</u>    |
| <b>(Loss)/profit before tax</b>  | 5            | <b>(98,063)</b>         | 46,730             |
| Income tax credit  | 6            | <u><b>563</b></u>       | <u>467</u>         |
| <b>(Loss)/profit for the period attributable to owners<br/>of the Company</b>                        |              | <u><b>(97,500)</b></u>  | <u>47,197</u>      |
| <b>Other comprehensive income for the period</b>   |              |                         |                    |
| <b>Item that may be reclassified subsequently to profit<br/>or loss:</b>                             |              |                         |                    |
| Exchange differences arising on translation of<br>foreign operations                                 |              | <u><b>37,419</b></u>    | <u>26,030</u>      |
| <b>Total comprehensive (expense) income for the<br/>period attributable to owners of the Company</b> |              | <u><b>(60,081)</b></u>  | <u>73,227</u>      |
| <b>(Loss)/earnings per share</b>   |              |                         |                    |
| – Basic (RMB cents)  | 8            | <u><b>(7.23)</b></u>    | <u>3.50</u>        |
| – Diluted (RMB cents)  |              | <u><b>(7.23)</b></u>    | <u>3.50</u>        |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2018*

|  |    | As at<br><b>31 December</b><br><b>2018</b><br><i>RMB'000</i><br><b>(Unaudited)</b> | As at<br>30 June<br>2018<br><i>RMB'000</i><br>(Audited) |
|--|----|--|---|
| <b>Non-current assets</b>                    |    |  |   |
| Property, plant and equipment                |    | 294,255  | 344,700   |
| Land use rights                              |    | 21,073   | 21,990  |
| Lease prepayments for orange plantations     |    | 1,481,252  | 977,875   |
| Goodwill                                     |    | 56,696   | 56,696  |
| Intangible assets                            |    | 35,256   | 38,978  |
| Held-to-maturity investment                  | 9  | –  | 16,918  |
|  |    | <b>1,888,532</b>   | <b>1,457,157</b>  |
| <b>Current assets</b>                        |    |  |   |
| Inventories                                  |    | 43,957   | 57,131  |
| Biological assets                            |    | 307,001  | 169,119   |
| Lease prepayments for orange plantations     |    | 181,250  | 109,541   |
| Derivative financial instruments             |    | –  | 2,986   |
| Trade receivables                            | 10 | 4,252  | 168,505   |
| Other receivables, deposits and prepayments  |    | 7,855  | 45,153  |
| Pledged bank deposits                        | 11 | 74,375   | 191,730   |
| Cash and cash equivalents                    |    | 19,340   | 521,487   |
|  |    | <b>638,030</b>   | <b>1,265,652</b>  |
| <b>Current liabilities</b>                   |    |  |   |
| Trade payables                               | 12 | 8,275  | 5,727   |
| Other payables and accruals                  |    | 166,804  | 28,726  |
| Bank loans                                   | 13 | 615,772  | 631,640   |
| Derivative financial instruments             |    | –  | 960   |
| Income tax payable                           |    | –  | 65  |
|  |    | <b>790,851</b>   | <b>667,118</b>  |
| <b>Net current (liabilities) assets</b>      |    | <b>(152,821)</b>   | <b>598,534</b>  |
| <b>Total assets less current liabilities</b> |    | <b>1,735,711</b>   | <b>2,055,691</b>  |

|                                |           | As at<br>31 December<br>2018<br><i>RMB'000</i><br>(Unaudited) | As at<br>30 June<br>2018<br><i>RMB'000</i><br>(Audited) |
|--------------------------------|-----------|---|---|
| <b>Non-current liabilities</b> |           |   |   |
| Bank loans                     | <i>13</i> | –   | 261,292   |
| Corporate bonds                |           | 39,178  | 36,043  |
| Deferred income                |           | 2,360   | 3,540   |
| Deferred tax liabilities       |           | <u>10,063</u>   | <u>10,625</u>   |
|                                |           | <u>51,601</u>   | <u>311,500</u>  |
| <b>Net assets</b>              |           | <u><u>1,684,110</u></u>                                       | <u><u>1,744,191</u></u>                                 |
| <b>Capital and reserves</b>    |           |   |   |
| Share capital                  |           | 11,610  | 11,610  |
| Reserves                       |           | <u>1,672,500</u>  | <u>1,732,581</u>  |
| <b>Total equity</b>            |           | <u><u>1,684,110</u></u>                                       | <u><u>1,744,191</u></u>                                 |

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (the “IASB”). In addition, the unaudited condensed consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for biological assets and financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 31 December 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2018.

In the current interim period, the Group has applied the following new and revised IFRSs, which include IFRSs, International Accounting Standards (“IAS(s)”), amendments and Interpretations (“Int(s)”), issued by the International Accounting Standards Board (the “IASB”).

|                      |   |
|----------------------|---|
| IFRS 9               | Financial Instruments   |
| IFRS 15              | Revenue from Contracts with Customers and the related Amendments      |
| IFRIC-Int 22         | Foreign Currency Transactions and Advance Consideration               |
| Amendments to IFRS 2 | Classification and Measurement of Share-based Payment Transactions    |
| Amendments to IFRS 4 | Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts |
| Amendments to IAS 28 | As part of the Annual Improvements to IFRSs 2014–2016 Cycle           |
| Amendments to IAS 40 | Transfers of Investment Property                                      |

The application of the new and amendments to IFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

|                                  |  |
|----------------------------------|--|
| IFRS 16                          | Leases <sup>1</sup>  |
| IFRS 17                          | Insurance Contracts <sup>2</sup>   |
| IFRIC-Int 23                     | Uncertainty over Income Tax Treatments <sup>1</sup>  |
| Amendments to IFRS 9             | Prepayment Features with Negative Compensation <sup>1</sup>  |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup> |
| Amendments to IAS 19             | Plan Amendment, Curtailment or Settlement <sup>1</sup>   |
| Amendments to IAS 28             | Long-term Interests in Associates and Joint Ventures <sup>1</sup>                                  |
| Amendments to IFRSs              | Annual Improvements to IFRSs 2015–2017 Cycle <sup>1</sup>  |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

As disclosed in note 13, the Group did not meet the repayment schedule of certain bank loans in the amount of United States dollars (“US\$”) 20,000,000 (equivalent to approximately RMB132,706,000) subsequent to 30 June 2018 in accordance with the terms and conditions of a facility agreement (the “Facility Agreement”) entered into among the Company and a group of banks (the “Participating Banks”) in respect of the bank loans with a principal amount of US\$80,000,000 (equivalent to approximately RMB530,826,000) (the “Facility”). The above condition indicates the existence of material uncertainties which may cast significant doubt about the Group’s ability to continue as a going concern. Up to the date of approval for issuance of the consolidated financial statements, the Group has already repaid US\$11,700,000 (equivalent to approximately RMB80,145,000).

As set out in the announcements dated 5 November 2018 and 6 December 2018, up to the date of the issue of the Interim Financial Statements, all bank borrowings have been default and become immediately repayable. The Company is still in the course of negotiation with the banks in relation to the extension of the repayment schedule of the bank borrowings and there has not been any agreement yet.

During the Reporting Period, the Company incurred a loss of approximately RMB97,500,000 and as of that date, the Company had net current liabilities of approximately RMB152,821,000.

In preparing the Interim Financial Statements, the Directors have given careful consideration to the future liquidity and financial positions of the Group in light of the conditions described in the preceding paragraphs. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group’s ability as to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business. The Directors are currently implementing the measures as set out below to improve the operating and financial position of the Group:

- (i) Continue to exercise cost control to monitor administrative and other expenses by further streamlining the Group’s operations.

In addition, the Group has obtained funding and financial support from the following parties:

- (ii) With regard to amounts due to the Directors, they have agreed not to demand for repayment of the amounts due before 31 December 2019.
- (iii) As set out in the announcement dated 18 January 2019, the Company has proposed to issue a warrant instrument to certain independent third parties. The instrument will provide up to HK\$50,409,991 (equivalent to approximately RMB44,270,000) to the Group.
- (iv) Continue to negotiate with the corresponding banks in respect of extension of the repayment schedule of the bank borrowings.

With the successful implementation of the measures and funding and financial support obtained as set out above, in the opinion of the Directors, the Group will have sufficient funds to satisfy its future working capital and other financial commitments as and when they fall due. Accordingly, the Directors are of the view that it is appropriate to prepare the Interim Financial Statements on a going concern basis.

Should the Group be unable to continue as a going concern, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business, the effect of which has not yet been reflected in the Interim Financial Statements. Adjustments may have to be made to write down assets to their recoverable amounts. In addition, the Group may have to provide further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities.

## 2. REVENUE AND SEGMENT INFORMATION

The Group determines its operating segments based on the information reported to the chief operating decision maker, being the most senior executive management of the Group, for making strategic decisions and assessing the performance of each operating segment. The segments are managed separately as each operating segment offers different products which require different production information to formulate different strategies. No operating segment identified by the chief operating decision maker has been aggregated in arriving at the reportable segments of the Group.

The Group's reportable and operating segments are as follows:

1. Plantation and sale of agricultural produce
2. Production and sale of FCOJ and other related products
3. Production and sale of Summi fresh orange juice

The following is an analysis of the Group's revenue by reportable and operating segment.

|  | Plantation<br>and sale of<br>agricultural<br>product<br><i>RMB'000</i> | Production<br>and sale<br>of FCOJ<br>and other<br>related<br>products<br><i>RMB'000</i> | Production<br>and sale of<br>Summi fresh<br>orange juice<br><i>RMB'000</i> | Consolidated<br><i>RMB'000</i> |
|--|--|---|--|--------------------------------|
| <b>Period ended 31 December 2018</b>     |  |   |  |                                |
| <b>Segment revenue</b>                   |  |   |  |                                |
| Sales to external customers              | –  | 18,351  | 5,612  | 23,963                         |
| Intersegment sales                       | –  | –   | –  | –                              |
| Segment revenue                          | <u>–</u>   | <u>18,351</u>   | <u>5,612</u>   | 23,963                         |
| Elimination                              |  |   |  | –                              |
| Consolidated revenue                     |  |   |  | <u>23,963</u>                  |
| <b>Segment results</b>                   | <u>(2,926)</u>   | <u>(40,924)</u>   | <u>(24,805)</u>  | (68,655)                       |
| Unallocated gains                        |  |   |  | 8,248                          |
| Corporate and other unallocated expenses |  |   |  | (8,024)                        |
| Finance costs                            |  |   |  | <u>(29,632)</u>                |
| Loss before tax                          |  |   |  | <u>(98,063)</u>                |

|  | Plantation<br>and sale of<br>agricultural<br>product<br><i>RMB'000</i> | Production<br>and sale<br>of FCOJ<br>and related<br>products<br><i>RMB'000</i> | Production<br>and sale<br>of Summi<br>fresh<br>orange<br>juice<br><i>RMB'000</i> | Consolidated<br><i>RMB'000</i> |
|--|--|--|--|--------------------------------|
| <b>Period ended 31 December 2017</b>     |  |  |  |                                |
| <b>Segment revenue</b>                   |  |  |  |                                |
| Sales to external customers              | 86,165   | 153,691  | 76,381   | 316,237                        |
| Intersegment sales                       | <u>34,315</u>  | <u>–</u>   | <u>–</u>   | <u>34,315</u>                  |
| Segment revenue                          | <u>120,480</u>   | <u>153,691</u>   | <u>76,381</u>  | 350,552                        |
| Elimination                              |  |  |  | <u>(34,315)</u>                |
| Consolidated revenue                     |  |  |  | <u>316,237</u>                 |
| <b>Segment results</b>                   | <u>41,867</u>  | <u>63,881</u>  | <u>(19,179)</u>  | 86,569                         |
| Unallocated gains                        |  |  |  | –                              |
| Corporate and other unallocated expenses |  |  |  | (11,177)                       |
| Finance costs                            |  |  |  | <u>(28,662)</u>                |
| Profit before tax                        |  |  |  | <u>46,730</u>                  |

The accounting policies of the operating segments are identical to the Group's accounting policies. Segment results represent the results from each segment without allocation of central administration costs, director's remuneration, certain other revenue and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

For the purposes of monitoring segment performances and allocating resources between segments:

- (a) all assets are allocated to operating segments other than held-to-maturity investments, pledged bank deposits, cash and cash equivalents, certain property, plant and equipment and other receivables which were managed in a centralised manner.
- (b) all liabilities are allocated to operating segments other than bank loans, convertible bonds, income tax payable, deferred tax liabilities and certain other payables which were managed in a centralised manner.

Inter-segment sales are charged at prevailing market rates.

## Other segment information

| Period ended 31 December 2018   | Plantation<br>and sale of<br>agricultural<br>product<br><i>RMB'000</i> | Production<br>and sale of<br>FCOJ and<br>other related<br>products<br><i>RMB'000</i> | Production<br>and sale of<br>Summi fresh<br>orange juice<br><i>RMB'000</i> | Unallocated<br><i>RMB'000</i> | Consolidated<br><i>RMB'000</i> |
|---|--|--|--|-------------------------------|--------------------------------|
| <b>Amounts included in the measure of<br/>segment profits or segment assets:</b>  |  |  |  |                               |                                |
| Depreciation and<br>amortisation ( <i>note 1</i> )  | –  | 8,898  | 15,079   | 40                            | 24,017                         |
| Additions to non-current<br>assets ( <i>note 2</i> )  | –  | –  | –  | –                             | –                              |
| Write-off of inventories  | –  | 25,116   | –  | –                             | 25,116                         |
| Government grants   | –  | (1,180)  | –  | –                             | (1,180)                        |
| <b>Amounts regularly provided to the<br/>chief operating decision maker<br/>but not included in the measure of<br/>segment profits or segment assets:</b> |  |  |  |                               |                                |
| Interest income   | –  | –  | –  | (1,969)                       | (1,969)                        |
| Finance costs   | –  | –  | –  | 29,632                        | 29,632                         |
| Income tax credit   | –  | –  | –  | (563)                         | (563)                          |
|   | <u>–</u>   | <u>–</u>   | <u>–</u>   | <u>(563)</u>                  | <u>(563)</u>                   |



| Period ended 31 December 2017 | Plantation<br>and sale of<br>agricultural<br>product<br><i>RMB'000</i> | Production<br>and sale of<br>FCOJ and<br>other related<br>products<br><i>RMB'000</i> | Production<br>and sale of<br>Summi fresh<br>orange juice<br><i>RMB'000</i> | Unallocated<br><i>RMB'000</i> | Consolidated<br><i>RMB'000</i> |
|-------------------------------|--|--|--|-------------------------------|--------------------------------|
|-------------------------------|--|--|--|-------------------------------|--------------------------------|

**Amounts included in the measure of  
segment profits or segment assets:**

|  |          |         |        |    |          |
|--|----------|---------|--------|----|----------|
| Depreciation and<br>amortisation ( <i>note 1</i> )                         | –        | 12,610  | 8,886  | 57 | 21,553   |
| Additions to non-current<br>assets ( <i>note 2</i> )                       | –        | –       | 31,120 | –  | 31,120   |
| Write-off of inventories   | 3,586    | –       | –      | –  | 3,586    |
| Gain from changes in fair value of<br>biological assets less costs to sell | (46,949) | –       | –      | –  | (46,949) |
| Government grants  | –        | (1,180) | –      | –  | (1,180)  |

**Amounts regularly provided to the  
chief operating decision maker  
but not included in the measure of  
segment profits or segment assets:**

|  |   |   |   |         |         |
|--|---|---|---|---------|---------|
| Interest income                                | – | – | – | (2,499) | (2,499) |
| Equity-settled share-based payment<br>expenses | – | – | – | 3,824   | 3,824   |
| Finance costs                                  | – | – | – | 28,662  | 28,662  |
| Income tax credit                              | – | – | – | (467)   | (467)   |

*Note 1:* Amount excluded amortisation of lease prepayments for orange plantations.

*Note 2:* Amount included property, plant and equipment, intangible assets and land use rights and excluded additions to lease prepayments for orange plantations, pledged bank deposits and held-to-maturity investment.

***Geographical information***

In view of the fact that the Group's operations and non-current assets are mainly located in the PRC (country of domicile), no geographical information about the Group's revenue from external customers and non-current assets are presented.

### ***Revenue from major products***

The following is an analysis of the Group's revenue from sales of its major products to external customers:

|                                    | <b>2018</b>           | 2017           |
|------------------------------------|-----------------------|----------------|
|                                    | <b><i>RMB'000</i></b> | <i>RMB'000</i> |
| Sales of FCOJ and related products | <b>18,351</b>         | 153,691        |
| Sales of Summi fresh orange juice  | <b>5,612</b>          | 76,381         |
| Sales of fresh oranges             | –                     | 86,165         |
|                                    | <b><u>23,963</u></b>  | <u>316,237</u> |

### ***Information about major customers***

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

|                           | <b>2018</b>           | 2017           |
|---------------------------|-----------------------|----------------|
|                           | <b><i>RMB'000</i></b> | <i>RMB'000</i> |
| Customer A <sup>1</sup>   | –                     | 86,165         |
| Customer B <sup>2</sup>   | <b>16,216</b>         | 68,822         |
| Customer C <sup>2,3</sup> | –                     | 39,892         |

<sup>1</sup> Revenue from plantation and sale of agricultural produce segment.

<sup>2</sup> Revenue from production and sale of FCOJ and other related products segment.

<sup>3</sup> Revenue from production and sale of Summi fresh orange juice segment.

<sup>4</sup> The corresponding revenue did not contribute over 10% of total revenue of the Company of respective year.

### **3. OTHER REVENUE**

|  | <b>2018</b>           | 2017           |
|--|-----------------------|----------------|
|  | <b><i>RMB'000</i></b> | <i>RMB'000</i> |
| Bank interest income                     | <b>1,969</b>          | 2,499          |
| Government grants                        | <b>1,180</b>          | 1,180          |
| Realised gains on derivative instruments | <b>6,514</b>          | –              |
| Others                                   | <b>692</b>            | –              |
|  | <b><u>10,355</u></b>  | <u>3,679</u>   |

#### 4. FINANCE COSTS

|                                      | <b>2018</b><br><i>RMB'000</i> | 2017<br><i>RMB'000</i> |
|--------------------------------------|-------------------------------|------------------------|
| Interest expenses on Corporate bonds | <b>1,273</b>                  | 646                    |
| Interest expenses on bank loans      | <u><b>28,359</b></u>          | <u>28,016</u>          |
|                                      | <u><b>29,632</b></u>          | <u>28,662</u>          |

#### 5. (LOSS)/PROFIT BEFORE TAX

The Group's profit before tax has been arrived at after charging:

|  | <b>2018</b><br><i>RMB'000</i> | 2017<br>RMB'000 |
|--|-------------------------------|-----------------|
| Staff costs, including Directors' and chief executive's remuneration |                               |                 |
| Wages, salaries and other benefits                                   | <b>3,443</b>                  | 42,410          |
| Contributions to defined contribution plans                          | <b>393</b>                    | 4,877           |
| Equity-settled share-based payment expenses                          | <u>–</u>                      | <u>3,824</u>    |
|  | <u><b>3,836</b></u>           | <u>51,111</u>   |
| Amortisation of land use rights                                      | <b>917</b>                    | 489             |
| Amortisation of intangible assets                                    | <b>2,722</b>                  | 2,250           |
| Depreciation of property, plant and equipment                        | <u><b>20,378</b></u>          | <u>18,814</u>   |

#### 6. INCOME TAX CREDIT

|  | <b>2018</b><br><i>RMB'000</i> | 2017<br>RMB'000 |
|--|-------------------------------|-----------------|
| <b>Current tax – PRC Enterprise Income Tax (“EIT”)</b> |                               |                 |
| Provision for the year                                 | <b>1</b>                      | (95)            |
| <b>Deferred tax</b>                                    |                               |                 |
| Reversal of temporary differences                      | <u><b>562</b></u>             | <u>562</u>      |
| Income tax credit                                      | <u><b>563</b></u>             | <u>467</u>      |

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

No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits subject to Hong Kong Profits Tax for both years.

The provision for PRC EIT is based on the respective applicable rates on the estimated assessable income of the Company's subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC for both years.

With effect from 1 January 2011, the Company's subsidiaries which are responsible for orange juice production are exempt from EIT on profits from orange juice production, pursuant to Cai Shui [2008] No. 149 issued by the Ministry of Finance of the PRC. Accordingly, from 1 January 2011, certain subsidiaries of the Group in the PRC (i.e. cultivation and selling of self-cultivated fresh oranges and orange juice production) are exempt from EIT, subject to annual review by the local PRC tax authority of the Company's subsidiaries and any future changes in the relevant tax exemption policies or regulations.

The applicable income tax rate for the rest of the Group's operating subsidiaries in the PRC is 25% for the period ended 31 December 2018.

## 7. DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 31 December 2018 (31 December 2017: nil).

## 8. (LOSS)/EARNINGS PER SHARE

The weighted average number of ordinary shares for the purpose of diluted earnings per share reconciled to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

### Number of shares

|  | 2018                 | 2017                 |
|--|----------------------|----------------------|
| Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share | <u>1,347,860,727</u> | <u>1,347,860,727</u> |

## 9. HELD-TO-MATURITY INVESTMENT

Held-to-maturity investment comprised:

|                           | 31 December<br>2018<br><i>RMB'000</i><br>(Unaudited) | 30 June<br>2018<br><i>RMB'000</i><br>(Audited) |
|---------------------------|--|--|
| Debt securities, unlisted | <u>–</u>   | <u>16,918</u>                                  |

The Group's held-to-maturity investment represented debt security that was issued by financial institution in Macau, and carried fixed interest at 6% per annum (30 June 2018: 6%), payable semi-annually, and would mature on 30 October 2023. As at 31 December 2018, the Group disposed of all held-to-maturity investments, there were no carrying value of the Group's debt securities (30 June 2018: RMB16,918,000) were pledged as security for the banking facilities granted to the Group.

## 10. TRADE RECEIVABLES

The Group allowed a credit period ranging from 30 to 90 days (30 June 2018: 30 to 90 days) to its trade customers from the date of billing.

The following is an aged analysis of trade receivables based on the due dates at the end of the reporting period:

|                               | <b>31 December<br/>2018<br/>RMB'000<br/>(Unaudited)</b> | 30 June<br>2018<br>RMB'000<br>(Audited) |
|-------------------------------|---|---|
| Neither past due nor impaired | <u>4,252</u>  | <u>168,505</u>                          |

Trade receivables that were neither past due nor impaired related to customers that had no recent history of default payment.

The Group did not hold any collateral over the trade receivables.

## 11. PLEDGED BANK DEPOSITS

|   | <b>31 December<br/>2018<br/>RMB'000<br/>(Unaudited)</b> | 30 June<br>2018<br>RMB'000<br>(Audited) |
|---|---|---|
| Pledged bank deposits to secure an interest-bearing bank loan | <u>74,375</u>   | <u>191,730</u>                          |
|   | <b>74,375</b>   | 191,730                                 |
| Less: Current portion of pledged bank deposits                | <u>(74,375)</u>   | <u>(191,730)</u>                        |
| Non-current portion of pledged bank deposits                  | <u>–</u>  | <u>–</u>                                |

*Note:*

The pledged bank deposits carried fixed interest rates ranging from 0.22% to 1.27% (30 June 2018: 0.22% to 1.27%) per annum.

## 12. TRADE PAYABLES

The Group had financial risk management policies in place to ensure all payables are settled within the credit timeframe. The average credit period on purchase of goods was 90 days or on demand (30 June 2018: 90 days or on demand).

The following is an aged analysis of trade payables presented based on the due date at the end of the reporting period.

|                                  | <b>31 December<br/>2018<br/>RMB'000<br/>(Unaudited)</b> | 30 June<br>2018<br>RMB'000<br>(Audited) |
|----------------------------------|---|---|
| Due within 3 months or on demand | <u>8,275</u>  | <u>5,727</u>                            |

### 13. BANK LOANS

|  | <b>31 December<br/>2018<br/>RMB'000<br/>(Unaudited)</b> | 30 June<br>2018<br>RMB'000<br>(Audited) |
|--|---|---|
| Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements): |   |   |
| Within one year  | 615,772   | 631,640                                 |
| After one year but within two years  | <u>–</u>  | <u>261,292</u>                          |
|  | <b>615,772</b>  | 892,932                                 |
| Carrying amount repayable within one year  | <u>615,772</u>  | <u>631,640</u>                          |
| Amounts shown under current liabilities  | 615,772   | 631,640                                 |
| Amounts shown under non-current liabilities  | <u>–</u>  | <u>261,292</u>                          |
|  | <u><b>615,772</b></u>                                   | <u>892,932</u>                          |
|  | <b>31 December<br/>2018<br/>RMB'000<br/>(Unaudited)</b> | 30 June<br>2018<br>RMB'000<br>(Audited) |
| Secured  | 88,370  | 337,022                                 |
| Unsecured  | <u>527,402</u>  | <u>555,910</u>                          |
|  | <u><b>615,772</b></u>                                   | <u>892,932</u>                          |

|                          | <b>31 December<br/>2018<br/>RMB'000<br/>(Unaudited)</b> | 30 June<br>2018<br>RMB'000<br>(Audited) |
|--------------------------|---|---|
| Fixed-rate borrowings    | <b>111,000</b>  | 226,299                                 |
| Variable-rate borrowings | <b><u>504,772</u></b>                                   | <u>666,633</u>                          |
|                          | <b><u>615,772</u></b>                                   | <u>892,932</u>                          |
|                          | <b>31 December<br/>2018<br/>RMB'000<br/>(Unaudited)</b> | 30 June<br>2018<br>RMB'000<br>(Audited) |
| Bank loans held by:      |   |   |
| PRC companies            | <b>61,995</b>   | 211,000                                 |
| Non-PRC companies        | <b><u>553,777</u></b>                                   | <u>681,932</u>                          |
|                          | <b><u>615,772</u></b>                                   | <u>892,932</u>                          |

As at 31 December 2018, included in the Group's unsecured bank loans was a three-year term loan facility in an aggregate sum of US\$68,300,000 (equivalent to approximately RMB453,193,000) ("Credit Facility I") for the purpose of production scale expansion. The Credit Facility I was jointly guaranteed by Mr. Sin Ke and the companies incorporated or invested by the Company. As set out in the announcement dated 5 November 2018, the Company has not fully met the repayment schedule and partially repaid the principal of US\$11,700,000 (equivalent to approximately RMB80,145,000). Accordingly, all the bank borrowings have been falling due and the amounts were immediately repayable pursuant to the terms and conditions of the bank borrowings. The Company is in the course of negotiation with the banks and there have not been statutory demands received by the Company up to the issue of the Interim Financial Statements.

At the end of the reporting period, the effective interest rates (which are also equal to contracted interest rates) on the Group's interest-bearing bank loans are as follows:

|                          | <b>31 December<br/>2018<br/>(Unaudited)</b> | 30 June<br>2018<br>(Audited) |
|--------------------------|---|------------------------------|
| Fixed-rate bank loans    | <b>4.12% – 6.53%</b>                        | 3.62% – 6.53%                |
| Variable-rate bank loans | <b><u>3.18% – 6.53%</u></b>                 | <u>2.63% – 6.01%</u>         |

At 31 December 2018, certain bank loans were secured by (i) pledged bank deposits; (ii) certain property, plant and land use rights; and (iii) held-to-maturity investment of the Group respectively. In addition, at 31 December 2018 and 30 June 2018, certain bank loans were guaranteed by a director, Mr. Sin Ke.

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

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

## **CORPORATE GOVERNANCE PRACTICES**

The Board recognises the importance of good corporate governance practices in safeguarding the interest of the Shareholders. The Company commits to achieving and maintaining high standard of corporate governance, the principle of which serves to uphold transparency, accountability and independence in all aspects of business and endeavors to ensure that affairs are conducted in accordance with applicable laws and regulations. The corporate governance practices adopted by the Company are in compliance with the principles of the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules.

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company's corporate governance practices have complied with the code provisions set out in the Code throughout the six months ended 31 December 2018, except for the deviation mentioned below:

### **Code Provision A.2.1**

Under the Code Provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing.

Mr. Sin Ke is currently the Chairman and the chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues relating to the operations of the Company. The Board will review the management structure regularly and consider separating the roles of the chairman and chief executive officer if and when appropriate.

## **CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in Appendix 10 – Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"). Specific enquiry has been made of all the Directors and the Directors have confirmed that they had complied with such the required standard set out in the Model Code and code of conduct during the Reporting Period.



## AUDIT COMMITTEE

The Company established the audit committee (the “Audit Committee”) which comprises three independent non-executive Directors. The primary duties of the Audit Committee are to review the Company’s financial information, review and supervise the Company’s financial reporting process, risk management system and internal control procedures, nominate and monitor external auditors and provide advice and comments to the Board. The Audit Committee is established with specific terms of references which deal clearly with the committee’s authority and duties and is available on the website of the Stock Exchange and the Company.

The Audit Committee had reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal controls and financial reporting matters including a review of the interim report and the interim results of the Group for the six months ended 31 December 2018.

By Order of the Board  
**Summi (Group) Holdings Limited**  
**Sin Ke**  
*Chairman*

Hong Kong, 8 February 2019

*As at the date of this announcement, the Board comprises: Mr. WU Shaohao, Mr. WU Liantao, Mr. SIN Ke and Mr. SAN Kwan as executive Directors; Mr. ZHUANG Weidong, Mr. ZHUANG Xueyuan and Mr. Kyaw Sai Hong as independent non-executive Directors.*