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

Healthy Life
With Summi

Annual Report 2021

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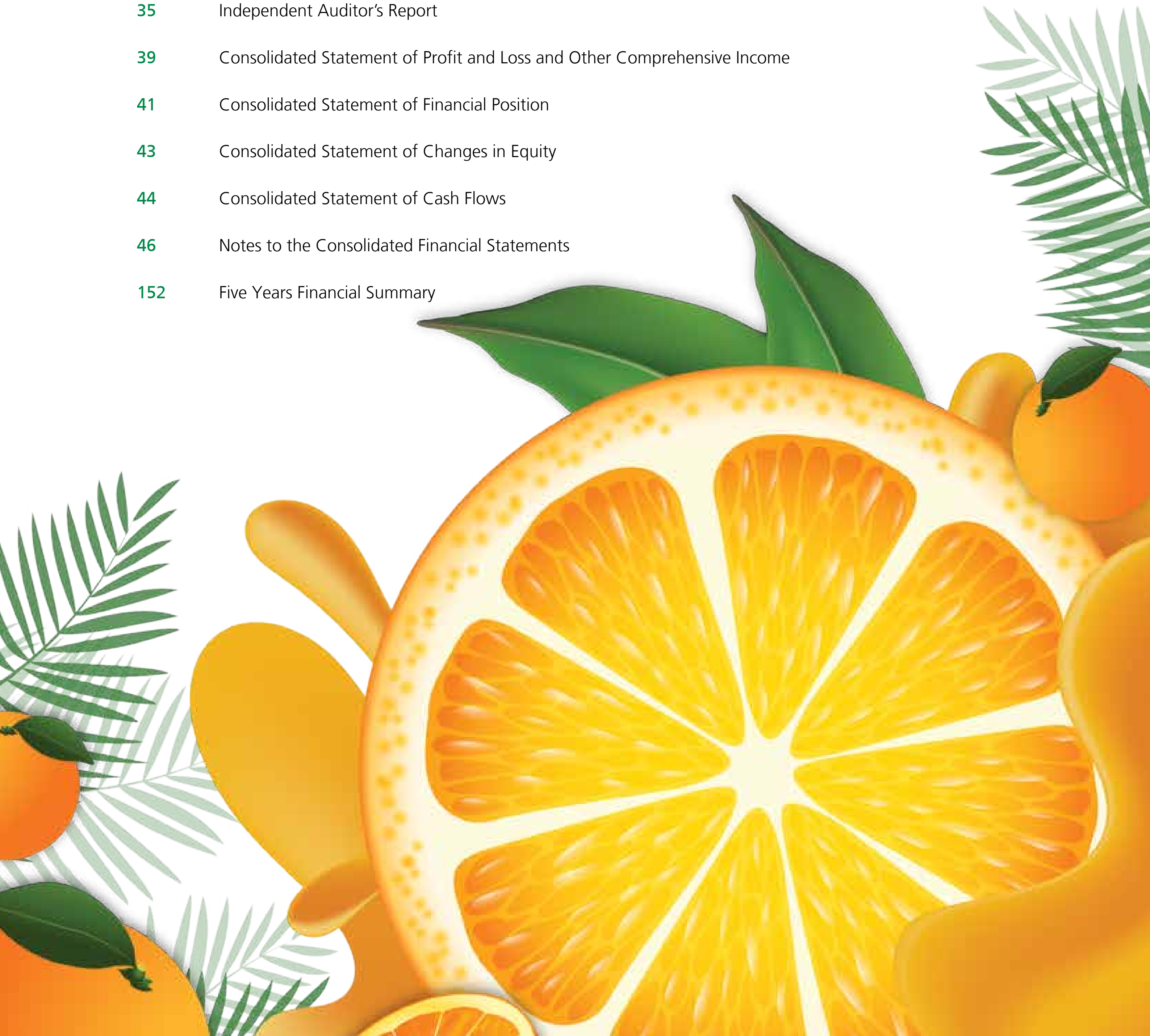

Corporate Information

DIRECTORS

Executive Directors

Mr. Wu Shaohao *(Chairman)*
Mr. Wu Liantao

Independent Non-Executive Directors

Mr. Kyaw Sai Hong HKICPA (practising)
Mr. Ma Chi Kin Kenneth CFA, CAIA, MRICS
Mr. Chen Ying

COMPANY SECRETARY

Mr. Lee Kwok Lun HKICPA (practising), FCCA, ACIS, ACS

AUTHORISED REPRESENTATIVES

Mr. Wu Liantao
Mr. Lee Kwok Lun HKICPA (practising), FCCA, ACIS, ACS

AUDIT COMMITTEE

Mr. Kyaw Sai Hong *(Chairman)* HKICPA (practising)
Mr. Ma Chi Kin Kenneth CFA, CAIA, MRICS
Mr. Chen Ying

REMUNERATION COMMITTEE

Mr. Chen Ying *(Chairman)*
Mr. Wu Shaohao
Mr. Ma Chi Kin Kenneth CFA, CAIA, MRICS

NOMINATION COMMITTEE

Mr. Wu Shaohao *(Chairman)*
Mr. Ma Chi Kin Kenneth CFA, CAIA, MRICS
Mr. Kyaw Sai Hong HKICPA (practising)

INVESTMENT AND COMPLIANCE COMMITTEE

Mr. Wu Shaohao *(Chairman)*
Mr. Wu Liantao
Mr. Kyaw Sai Hong HKICPA (practising)

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1012, 10/F, Block A
Hung Hom Commercial Centre
37 Ma Tau Wai Road
Hung Hom, Kowloon
Hong Kong

REGISTERED OFFICE

Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

AUDITOR

Yongtuo Fuson CPA Limited

LEGAL ADVISORS AS TO HONG KONG LAWS

Ling & Lawyers

PRINCIPAL BANKER

Standard Chartered Bank

SHARE REGISTRAR IN HONG KONG

Link Market Services (Hong Kong) Pty Limited
Suite 1601, 16/F., Central Tower
28 Queen's Road Central
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
(Formerly known as "Estera Trust (Cayman) Limited")
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

COMPANY WEBSITE

https://hksummi.com

LISTING INFORMATION

Stock Code: 756

Financial Summary

For the year ended 30 June

FINANCIAL HIGHLIGHTS

	2021 RMB'000	2020 RMB'000	Change% (Approximately)
Consolidated statement of profit or loss and other comprehensive income			
Continuing operations			
Revenue	111,168	50,993	118%
Gross profit	4,231	7,727	(45%)
(Loss) profit for the year	(48,518)	315,417	N/A
EBITDA (note)	1,781	384,775	(100%)
Basis EPS (RMB cents)	(2.83)	23.40	N/A
Diluted EPS (RMB cents)	N/A	21.48	N/A
Discontinued operation			
Loss for the year	—	(1)	(100%)
Basic EPS (RMB cents)	—	—	N/A
Diluted EPS (RMB cents)	—	—	N/A
Continuing operations and discontinued operation			
(Loss) profit for the year	(48,518)	315,416	N/A
Basic EPS (RMB cents)	(2.83)	23.40	N/A
Diluted EPS (RMB cents)	N/A	21.48	N/A
Proposed final dividend (HK cents per share)	—	—	N/A
Consolidated statement of financial position			
Cash and cash equivalents	3,770	6,842	(45%)
Inventories	5,659	15,823	(64%)
Trade receivables	2,587	2,629	(2%)
Borrowings	259,458	274,198	(5%)
Net liabilities value	(236,743)	(330,907)	(28%)

Note: EBITDA: profit (loss) before tax + finance costs + depreciation + amortisation — interest income

Chairman's Statement

I am very pleased to present to the shareholders (the "Shareholders") of Summi (Group) Holdings Limited (the "Company") the annual report of the Company and its subsidiaries (collectively, the "Group") for the year ended 30 June 2021 (the "Reporting Period").

During the Reporting Period, the Group has been continuing in expanding its product range as well as sales network channel. The Group has explored different beverage products and preliminary success has been proven. For the Reporting Period, the Group recorded revenue of approximately RMB111,168,000 (2020: RMB50,993,000), representing an increase of approximately 118%. During the Reporting Period, the gross profit of the Group was RMB4,231,000 (2020: RMB7,727,000), representing a decrease of approximately RMB3,496,000 and the gross profit margin was 3.8% (2020: 15.2%). The decrease in gross profit margin was mainly due to the pressure on pricing in the market and the Group has been pushing new products to the market with lower gross profit margin.

The management of the Company used its best endeavours to maintain the sustainability of the Company. On 23 October 2020, the Company and certain banks (the "Banks"), whose principals under the original loan agreements amounted to approximately RMB99,444,000 in the aggregate, entered into a loan restructuring agreement (the "Agreement"), pursuant to which, the Banks agreed to restructure their respective bank loan principal as an extended syndication loan with a tenor of 5 years. Pursuant to the terms and conditions of the Agreement, the Banks agreed not to commence or continue with any legal proceedings against the Company in relation to breach or potential breach of relevant agreements. The Agreement has been duly executed and this resulted in the substantial improvement of the Company's financial position as at 30 June 2021. As at 30 June 2021, the Group recorded net liabilities of approximately RMB236,743,000, which were significantly improved as compared with that of 30 June 2020 amounting to approximately RMB330,907,000.

Other than exploring the existing business of the Group, the Group has been striving for diversifying its business and identifying new locations for setting up new plant locations of the Company's products. Currently, the Group has established a subsidiary in Chenzhou, Hunan and a joint venture in Liaozhong, Shengyang (the "Companies") and negotiations with the local governments are undergoing. The Companies have been at the preliminary stage of development, and the management of the Company expects that the Companies have the potential to become a robust profit engine of the Group in the foreseeable future.

INVESTOR RELATIONS

One of the main duties of the board (the "Board") of directors (the "Director(s)") of the Company is to maintain good communications with its Shareholders and potential investors. The Group's management regularly pays visits to domestic and overseas prestigious institutional investors and private client investment advisors, as well as attended investor conferences, in order to provide the Shareholders and potential investors a thorough understanding of the Group's strategy and the latest business development. It is hoped that through such communication, the Company can enhance the transparency and strengthen the relationships with investors.

APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to every Shareholder, customers and business partners for their support. I would also like to thank our excellent management team and employees for their unremitting efforts. The Group will continue to enhance our core competence and strive to become the leading producer in the juice beverage industry in China.

Wu Shaohao
Chairman

Hong Kong, 27 September 2021

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECT

During the Reporting Period, the Group has been continuing in expanding its product range as well as sales network channel. The Group has explored different beverage products and preliminary success has been proven. For the Reporting Period, the Group recorded revenue of approximately RMB111,168,000 (2020: RMB50,993,000), representing an increase of approximately 118%. During the Reporting Period, the gross profit of the Group was RMB4,231,000 (2020: RMB7,727,000), representing a decrease of approximately RMB3,496,000 and the gross profit margin was 3.8% (2020: 15.2%). The decrease in gross profit margin was mainly due to the pressure on pricing in the market and the Group has been pushing new products to the market with lower gross profit margin.

The management of the Company used its best endeavours to maintain the sustainability of the Company. On 23 October 2020, the Company and certain banks (the "Banks"), whose principals under the original loan agreements amounted to approximately RMB99,444,000 in the aggregate, entered into a loan restructuring agreement (the "Agreement"), pursuant to which, the Banks agreed to restructure their respective bank loan principal as an extended syndication loan with a tenor of 5 years. Pursuant to the terms and conditions of the Agreement, the Banks agreed not to commence or continue with any legal proceedings against the Company in relation to breach or potential breach of relevant agreements. The Agreement has been duly executed and this resulted in the substantial improvement of the Company's financial position as at 30 June 2021. As at 30 June 2021, the Group recorded net liabilities of approximately RMB236,743,000, which were significantly improved as compared with that of 30 June 2020 amounting to approximately RMB330,907,000.

Other than exploring the existing business of the Group, the Group has been striving for diversifying its business and identifying new locations for setting up new plant locations of the Company's products. Currently, the Group has established a subsidiary in Chenzhou, Hunan and a joint venture in Liaozhong, Shengyang (the "Companies") and negotiation with the local governments are undergoing. The Companies have been at the preliminary stage of development, and the management of the Company expects that the Companies have the potential to become a robust profit engine of the Group in the foreseeable future.

DISCLAIMER OPINION

Yongtuo Fuson CPA Limited ("Yongtuo Fuson"), the auditors of the Company were engaged to audit the consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 30 June 2021. However, Yongtuo Fuson was unable to express an opinion on the consolidated financial statements of the Group, reasons and details of which were set out in the "INDEPENDENT AUDITOR'S REPORT" Section of this report.

1. On the opening balances and corresponding figures since they are unable to carry out audit procedures to satisfy themselves whether the consolidated financial statements for the year ended 30 June 2020 gave a true and fair view ("Audit Qualification I"); and

2. Multiple uncertainties relating to going concern ("Audit Qualification II").

Management Discussion and Analysis

THE VIEW OF THE MANAGEMENT AND AUDIT COMMITTEE IN RELATION TO THE AUDIT QUALIFICATION

In relation to audit qualification I

The management of the Company and the audit committee of the Company discussed the Audit Qualification I and concurs with the view of Yongtuo Fuson. However, subsequent to the deregistration of Chongqing Bangxing on 4 November 2019, the financial information of Chongqing Bangxing has been derecognised from the Group's consolidated financial statements and except for the opening balances of the Group for the year ended 30 June 2020 (i.e. the financial information as at 1 July 2019), the Audit Qualification I would be removed.

In relation to audit qualification II

The management of the Company used its best endeavours to maintain the sustainability of the Company. On 23 October 2020, the Company and certain banks (the "Banks"), principal of which under the original loan agreement with the respective Banks amounted to approximately RMB113,317,000, entered into a loan restructuring agreement (the "Agreement"), pursuant to which, the Banks agreed to restructure their respective bank loan principal as an extended syndication loan with a tenor of 5 years. Further to the terms and conditions to the Agreement, the Banks agreed not to commence or continue with any legal proceedings against the Company in relation to the breaching of clauses of the original Agreement. The Agreement has been duly executed and this resulted in the substantial improvement of the Company's financial position as at 30 June 2021. As at 30 June 2021, the Group recorded net liabilities of approximately RMB236,743,000, which were significantly improved as compared with that of 30 June 2020 amounting to approximately RMB330,907,000.

OPERATING PERFORMANCE

Summi fresh orange juice and other related products

During the Reporting Period, the Group has been rebuilding the sales network and developing new products in relation to Summi Products to leverage the advantages of "Summi" brand. During the Reporting Period, sales of Summi Products increased by 197% from approximately RMB35,308,000 in last year to RMB104,977,000, which was mainly attributable to the sales of Summi Products in the supermarkets in the PRC, Hong Kong and Malaysia under the new business model. During the Reporting Period, the Group has developed a series of new products to support the growth of revenue of the Group. The launch of new products has leveraged the Group's advantages in food and beverage industry.

FCOJ and related products

Sales of FCOJ and related products decreased from approximately RMB15,685,000 over the same period last year to approximately RMB6,191,000 in the Reporting Period. During the Reporting Period, international frozen orange juice futures prices have remained stable, same prices as compared with the previous year were recorded for the sale prices of FCOJ.

Breakdown of revenue by product for the year ended 30 June 2021 and the corresponding year are set out as follows:

	2021		2020	
	RMB'000	Percentage of total revenue	RMB'000	Percentage of total revenue
Summi fresh orange juice and other products	**104,977**	**94.4%**	35,308	69.2%
FCOJ and related products	**6,191**	**5.6%**	15,685	30.8%
	111,168	**100%**	50,993	100%

Gross profit from continuing operations

During the Reporting Period, the Group's gross profit was approximately RMB4,231,000 as compared to gross profit of approximately RMB7,727,000 for the last year.

Selling, distribution costs and administrative expenses

The Group's distribution costs mainly included marketing expenses and transportation costs. Distribution costs increased by approximately 44% from approximately RMB2,836,000 over the corresponding year to approximately RMB4,072,000 during the year.

The Group's administrative expenses mainly included general office administrative expenses, salaries, amortisation, etc. Administrative expenses decreased from approximately RMB42,699,000 over the corresponding year to approximately RMB41,720,000 during the Reporting Period.

Finance costs

During the Reporting Period, the Group's finance costs were approximately RMB30,491,000 (2020: RMB46,020,000).

Net (loss) profit

During the Reporting Period, the Group's net loss was approximately RMB48,518,000, as compared to net profit of approximately RMB315,416,000 as compared with the corresponding year.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL STRUCTURE

Liquidity

As at 30 June 2021, net current liabilities amounted to approximately RMB263,134,000 (2020: net current liabilities of approximately RMB294,934,000).

Financial resources

As at 30 June 2021, the Group had cash and cash equivalents of approximately RMB3,770,000 (2020: approximately RMB6,842,000) and total bank and other borrowings of approximately RMB259,458,000 (2020: approximately RMB274,198,000). The Group has corporate bonds of RMB99,697,000 (2020: RMB95,929,000).

As at 30 June 2021, trade and other receivables were approximately RMB22,138,000 (2020: approximately RMB8,407,000) and inventories were approximately RMB5,659,000 (2020: approximately RMB15,823,000).

Gearing

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

	2021	2020
Quick ratio (x)	**0.02**	0.05
Current ratio (x)	**0.11**	0.09
Gearing ratio *(note (a))*	**N/A**	N/A

Note (a): Gearing ratio is defined as the sum of borrowings and corporate bonds over total equity.

Capital structure

As at 30 June 2021, the total number of issued shares was 2,282,082,652 shares. Based on the closing price of HK$0.164 per share as at 30 June 2021, the Company's market capitalisation as at 30 June 2021 was HK$374,261,554.90.

FOREIGN EXCHANGE EXPOSURE

The Group is subject to foreign exchange risks arising primarily from currencies pegged to United States Dollar. Majority of our income source is denominated in Renminbi while the repayment of interest and principals of our bank borrowings, are denominated in United States Dollar. Any substantial fluctuation between the currencies may have significant effects on the Group.

Furthermore, the conversion of Renminbi into foreign currencies is subject to rules and regulations of exchange control enforced by the government. The Group has a standing foreign exchange risk management policy and uses forward contracts and various derivative instruments to mitigate the associated risks.

PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged certain assets to borrowers to secure credit facilities granted to the Group, of which the details are set out in note 25 to the consolidated financial statements of this annual report.

CONTINGENT LIABILITIES

In May 2021, the Company received a statement of claim from a former employee relating to the outstanding wages and end of year payment with an aggregate amount of HK$2,520,000 (equivalent of RMB2,297,000) and the Group has already made a full provision for such claim during the years ended 30 June 2020 and 2021. As at the end of the reporting period and up to the date of approval of these financial statements, apart from expressly stated above, the Group is a party to a number of civil litigations cases, as either a plaintiff or defendant. In the opinion of the Directors, these cases are either premature and/or the Group has a very high likelihood of success in its action and, therefore will not have any adverse impact on the Group's results and financial position. In the opinion of the Directors, adequate provision has been made in these consolidated financial statements. Other than the above, the Group did not have any material contingent liabilities as at 30 June 2021.

CAPITAL EXPENDITURE

During the Reporting Period, the Group's capital expenditure amounted to approximately RMB51,000 (2020: approximately RMB6,486,000) which was used for acquisition of property, plant and equipment.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2021, the Group employed 121 employees (2020: 113 employees). The Group offered competitive remuneration package, discretionary bonuses and social insurance benefits to its employees. In addition, a share option scheme (the "Scheme") has been adopted since 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.

The remuneration to members of senior management of the Company (i.e. executive directors and senior management of the Company as disclosed in the section headed "Board of Directors and Senior Management" in this annual report) is within the following bands:

Remuneration Bands	Number of Senior Management
Nil to HK$1,000,000 (equivalent to Nil to RMB853,000)	4
HK$1,000,001 to HK$1,500,000 (equivalent to RMB853,000 to RMB1,280,000)	—
HK$1,500,001 to HK$3,000,000 (equivalent to RMB1,280,000 to RMB2,559,000)	—

Board of Directors and Senior Management

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Wu Shaohao (吳紹豪先生) ("Mr. Wu"), aged 54, was appointed as an executive Director on 4 December 2018. Mr. Wu has over 18 years of management experience in property development in the PRC. Mr. Wu obtained a master of educational leadership degree from the University of Canberra. Mr. Wu has been the chairman of the board of directors of 江蘇瑞爾房地產集團公司 (Jiangsu Ruier Property Development Group Company Limited*) ("Jiangsu Ruier"), 上海電子商城有限公司 (Shanghai E-commerce Company Limited) ("Shanghai E-commerce"), 瀋陽金沙城置業有限公司 (Shenyang Sands City Property Company Limited*) ("Shenyang Sands") and 江蘇水之源置業有限公司 (Jiangsu Shuizhiyan Property Company Limited*) ("Jiangsu Shuizhiyan") since March 2000. Jiangsu Ruier, Shenyang Sands and Jiangsu Shuizhiyan are principally engaged in property development business and Shanghai E-commerce is principally engaged in operating a wholesale market in Jiading, Shanghai. Mr. Wu is the father of Mr. Wu Liantao.

Mr. Wu is the director of Rui Er Summi (BVI) Limited (瑞爾森美（英屬維爾京群島）有限公司), Rich Anges Limited (裕佳有限公司), Manwell (China) Limited (萬華（中國）有限公司), Global One Management Limited, Summi Yummy Limited (森美波仔有限公司), Sunshine Vocal Limited and Potel Limited (邦天有限公司), which are wholly owned subsidiaries of the Company.

Save as disclosed above, Mr. Wu did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position in the Company and other members of the Group or other major appointments and professional qualifications.

Mr. Wu Liantao (吳聯韜先生), aged 28, was appointed as an executive Director on 4 December 2018. Mr. Wu Liantao graduated from Purdue University in 2016 with the degree of bachelor of science. He has served as an accounting manager at Signature Homes, a property developer in California from August 2016 to March 2017 and served as an investment manager in 上海賽領翩玄資產管理有限公司 (Shanghai Sailing Capital Pushi Management Co., Ltd) from September 2017 to November 2018. Mr. Wu Liantao is the son of Mr. Wu.

Mr. Wu is the director of 郴州森美橙園投資發展有限公司 ("Chenzhou Summi Chengyuan Investment Development Company Limited"), Rich Anges Limited (裕佳有限公司), Manwell (China) Limited (萬華（中國）有限公司), Global One Management Limited, Sunshine Vocal Limited and Potel Limited (邦天有限公司) which are wholly owned subsidiaries of the Company.

Save as disclosed above, Mr. Wu did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position in the Company and other members of the Group or other major appointments and professional qualifications.

* The English translation is for identification purpose only

Independent non-executive Directors

Mr. Kyaw Sai Hong (左世康先生) ("Mr. Kyaw"), aged 39, was appointed as an independent non-executive Director on 31 January 2019, has over 15 years of experience in the fields of accounting and auditing including experience with financial matters of listed companies.

Mr. Kyaw obtained a Bachelor of Arts degree in Accounting and Finance from Leeds Beckett University (formerly named as Leeds Metropolitan University) in July 2004. Mr. Kyaw is currently a practising certified public accountant of the Hong Kong Institute of Certified Public Accountants and has been a member of Hong Kong Institute of Certified Public Accountants since January 2009.

Mr. Kyaw was the company secretary of Affluent Foundation Holdings Limited, a company listed on the main board of the Stock Exchange of Hong Kong Limited (stock code: 1757) from 2017 to 2019.

Save as disclosed above, Mr. Kyaw did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Mr. Ma Chi Kin (馬志堅) ("Mr. Ma"), aged 35, was appointed as an independent non-executive Director on 9 April 2019, is a Director of Moore Transaction Services Limited, a company under the umbrella of Moore Global accounting network ("Moore").

Mr. Ma has over 11 years of experience in the fields of valuation in different businesses and transaction support such as financial due diligence for listed companies and funds. Mr. Ma joined Moore in February 2018 and he is responsible for providing independent professional valuation and financial due diligence advice to clients and managing daily operations of the company.

Mr. Ma obtained a degree of Bachelor of Information Engineering from the Chinese University of Hong Kong in 2007. He is now a post-graduate student in Equine Science of the University of Edinburgh. He became a Chartered Financial Analyst in 2011, Chartered Alternative Investment Analyst in 2014 and Registered Valuer of the Royal Institute of Chartered Surveyors in 2017 respectively.

Save as disclosed above, Mr. Ma did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Mr. Chen Ying (陳贏) ("Mr. Chen"), aged 51, was appointed as an independent non-executive Director on 9 April 2019, is the President of Shanghai Hanwo Assets Company Limited (上海漢沃資產有限公司) and Shanghai Lixi Financial Information Services Company Limited (上海力兮金融信息服務有限公司). Mr. Chen has over 22 years of experience in securities investments, corporate financing and property development industry.

Mr. Chen graduated from Zhejiang Jingji Guanli Zhigong University (浙江經濟管理職工大學) in 1991 and Hubei University of Economics 湖北經濟學院 in 2011. Mr. Chen further pursued his studies and obtained a degree of Master of Business Administration from Madonna University in 2005 and a degree of Master of Business Administration from Shanghai Donghua University (上海東華大學) in 2016.

Save as disclosed above, Mr. Chen did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

SENIOR MANAGEMENT

Mr. Xu Min (許民) ("Mr. Xu"), aged 52, is an engineer of the Group and is responsible for the production and technology of the Group. Mr. Xu joined the Group in July 2010. He graduated from Harbin Institute of Technology and obtained a bachelor degree in Engineering. From 1989 to 1996, he was engaged in gyropilot research at Sichuan Airlines Tianbu 7301 Research Centre (四川航空航天部7301研究所) and had been granted the title of Intermediate Engineer. From 1997 to 2000, he worked for Hainan Oasis Food Company Limited (海南綠州食品有限公司) as a deputy general manager and was in charge of processing and sales of tropical fruits. From 2000 to 2004, he worked as a factory deputy director in the Beijing Huiyuan Huairou Factory and was responsible for processing PET beverage. From 2004 to 2009, he worked for Zhejiang Huzhou Weiyuan Food and Beverage Company Limited (浙江湖州味源食品飲料有限公司) as an executive vice director and was responsible for processing and sales of fruits and vegetables such as carrot, lime, etc.

Save as disclosed above, Mr. Xu did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Mr. Lee Kwok Lun, (李國麟) ("Mr. Lee"), aged 37, is the chief financial officer and company secretary of the Company. He joined the Group and was appointed as the financial controller, company secretary and authorized representative of the Company in 2015. In June 2017, Mr. Lee was promoted to the chief financial officer. Mr. Lee is a practicing member of Hong Kong Institute of Certified Public Accounts, fellow member of the Association of Chartered Certified Accountants and member of The Taxation Institute of Hong Kong, Associate member of the Hong Kong Institute of Chartered Secretaries and Associate member of The Chartered Governance Institute.

Mr. Lee is the director of Summi Yummy Limited (森美波仔有限公司), Summi (HK) Asia Limited (森美（香港）亞洲有限公司), Rui Er Summi (BVI) Limited (瑞爾森美（英屬維爾京群島）有限公司), Rui Er Summi Hong Kong Limited (瑞爾森美香港有限公司) and Summi (Malaysia) Trading Sdn. Bhd., which are wholly owned subsidiaries of the Company.

He is the independent non-executive director of Wing Chi Holdings Limited, a company listed on the main board of the Stock Exchange of Hong Kong Limited (stock code: 6080); Dragon Rise Group Holdings Limited, a company listed on the Main Board (Stock Code: 6829); and Ever Reach Group (Holdings) Company Limited, a company listed on the Main Board (Stock Code: 3616).

Save as disclosed above, Mr. Lee did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Report of the Directors

The Directors have pleasure in presenting their annual report together with the audited consolidated financial statements of the Group for the Reporting Period.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 43 to the consolidated financial statements. There was no significant change in nature of the Group's activities during the Reporting Period.

BUSINESS REVIEW

Discussion and analysis of the principal activities of the Group are set out in business review section on pages 5 to 9. The analysis of the operations of the Group during the Reporting Period are set out in note 7 to the consolidated financial statements.

ENVIRONMENT POLICIES AND PERFORMANCE

The Group is committed to contributing to the sustainability of the environment and has implemented certain policies to minimise the impact on the environment from its business activities.

The Group strives for making continuous improvements by introducing more environmental friendly policies in our production facilities and offices to enhance energy efficiency, reduce consumption of resources and greenhouse gas emission. In respect of the Group's self-operated plantations, during the Reporting Period, the Group has implemented the sustainable agricultural guiding principles issued by one of the Group's major customers with a view to protecting soil, conserving water, and minimising greenhouse gas emissions to ensure our agricultural produce is sustainable.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's business is mainly conducted through the Company's subsidiaries in the PRC and the shares of the Company are listed on the Stock Exchange. As such, the establishment and operation of the Group is subject to the relevant laws and regulations in the PRC and Hong Kong. During the year ended 30 June 2021 and up to the date of this report, the Group's operation has been in compliance with all relevant laws and regulations in the PRC and Hong Kong in all material respects.

PRINCIPAL RISKS AND UNCERTAINTIES

Heavy reliance on the sale to a few of our customers

We do not have long-term contractual arrangements with our major customers. There is no assurance that our major customers will continue their business dealings with us or that the income generated from dealings with them will increase or be maintained in the future. Any cessation of, or substantial reduction in the volume of business with any of our major customers could adversely affect the financial performance or profitability and our prospects.

Compliance with PRC environmental protection regulations

We carry on business in an industry which is subject to PRC environmental protection law and regulations. Enterprises engaged in food production should comply with the law and regulations concerning environmental protection. If an enterprise fails to report or provide false information about the environmental pollution caused by it, it will receive a warning or be penalized. Failure to eliminate or control pollution within the required timeframe may result in the payment of a fee for excessive discharge; or imposition of a fine; or suspension or close down of the operation. We have been complying with the relevant PRC environmental protection law and regulations. Nevertheless, there can be no assurance that the PRC government will not change the existing law and regulations or make additional or stricter law and regulations on environmental protection, compliance of which may cause us to incur significant capital expenditures. There is no assurance that we will be able to comply with any such law and regulation as may be amended or promulgated in the future.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 30 June 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 39 of this annual report.

No interim dividend was paid or declared in respect of the Reporting Period (2020: nil).

The Board did not recommend the payment of a final dividend (2020: nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 152. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate accounted for 30.6% and 83.9% respectively of the Group's total purchases during the year ended 30 June 2021. Revenue attributable to the Group's largest customer and the five largest customers in aggregate accounted for 52.1% and 92.9% respectively of the Group's total revenue during the Reporting Period.

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

NON-CURRENT ASSETS

Property, plant and equipment

Details of movements during the Reporting Period in the property, plant and equipment of the Group are set out in note 18 to the consolidated financial statements.

Right-of-uses asset/Land use rights

Details of movements during the Reporting Period in right-of-uses asset/land use rights of the Group are set out in notes 19 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 31 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity on page 43.

As at 30 June 2021, the Company had a deficiency of reserves of approximately RMB394,403,000 (2020: approximately RMB480,961,000) available for distribution to the Shareholders.

DIRECTORS

The Directors during the Reporting Period and up to the date of this report were:

Executive Directors

Mr. Wu Shaohao *(Chairman)*
Mr. Wu Liantao

Independent Non-Executive Directors

Mr. Kyaw Sai Hong
Mr. Ma Chi Kin
Mr. Chen Ying

In accordance with the articles of association of the Company (the "Articles of Association"), at each annual general meeting, the Directors were appointed during the year will retire from office as Directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company. Mr. Chen Ying and Mr. Kyaw Sai Hong (collectively, the "Retiring Directors") shall retire at the forthcoming Annual General Meeting. The Retiring Directors, being eligible, will offer themselves for re-election.

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers that all the independent non-executive Directors meet the independence requirement set out in Rule 3.13 of the Listing Rules and are independent as at the date of this report.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 10 to 12 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Both executive Directors of Mr. Wu Shaohao and Mr. Wu Liantao have entered into a service contract with the Company for a fixed term of 3 years unless terminated by not less than one month's notice (in the case of Mr. Wu Shaohao) or three months' notice (in the case of Mr. Wu Liantao) in writing served by either party on the other.

Each of the independent non-executive Directors entered into a service contract with the Company for a term of 2 years, unless terminated by not less than 3 months' notice in writing served by either party on the other.

None of the Directors, including those to be re-elected at the forthcoming annual general meeting, has a service contract with the Company and/or any of its subsidiaries which is not determinable by the Company within one year without the payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

The Articles of Association of the Company provides that the Directors, Managing Directors, alternate Directors, auditors, secretary and other officers for the time being of the Company acting in relation to any of the affairs of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices. The Company has maintained appropriate Directors' liability insurance coverage for the Directors and officers during the financial year ended 30 June 2021.

REMUNERATION POLICY

A remuneration committee of the Company (the "Remuneration Committee") has been set up for reviewing the Group's remuneration policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

In order to attract and retain high quality talents to ensure smooth operation and cater for the Group's constant expansion, the Group offers competitive remuneration packages, with reference to market conditions and individual qualifications and experience.

During the Reporting Period, the employees' remuneration of the Group was approximately RMB9,657,000 (2020: approximately RMB13,074,000).

The Company has adopted a share option scheme as incentive to the Directors and eligible employees, details of the scheme are set out in the section headed "Share Option Scheme" below.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST REMUNERATION

Details of the emoluments of the Directors and five individuals with highest remuneration are set out in notes 14 and 15 to the consolidated financial statements.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2021, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Appendix 10 — Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to the Listing Rules are as follows:

1. Interests and long positions in the shares of the Company ("Shares")

Name of Director/Chief Executive	Capacity/Nature	No. of Shares held/interested in	Approximate percentage of issued share capital of the Company
Mr. Wu Shaohao ("Mr. Wu")	Interest of controlled corporation (Note 2) Beneficial owner (Note 2)	1,309,881,110 (L)	57.40%
Ms. Hu Mingyue ("Ms. Hu")	Beneficial owner (Note 3)	120,784,960 (L)	5.29%

Notes:

1. The letters "L" denote a long position in the Shares/underlying Shares.

2. 1,309,881,110 Shares were held by Rui Er Holdings Company Limited, a company incorporated in the British Virgin Islands and is owned as to 100% by Mr. Wu beneficially. Therefore, Mr. Wu is deemed to be interested in these shares under the SFO.

3. Ms. Hu was deemed (by virtue of the SFO) to be interested in 120,784,960 Shares, which were held in the beneficial owner capacity. Ms. Hu tendered her resignation as the chief executive officer on 30 September 2021.

Save as disclosed above, as at 30 June 2021, none of the Directors or chief executive of the Company held any interests and short position in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, as far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fell to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Interests and short position in the Shares and underlying Shares

Name of Shareholder	Capacity/Nature	No. of Shares/ underlying Shares held/interested in	Approximate percentage of issued share capital of the Company
Rui Er Holdings Company Limited ("Rui Er")	Beneficial owner (Note 2)	1,309,881,110 (L)	57.40%
Ms. Yang Xijuan ("Ms. Yang")	Interest of spouse (Note 2)	1,309,881,110 (L)	57.40%

Notes:

1. The letters "L" denote a long position in the Shares/underlying Shares.

2. Rui Er is owned as to 100% by Mr. Wu. As Ms. Yang is the spouse of Mr. Wu, Ms. Yang was deemed, or taken to be, interested in the 1,309,881,110 Shares held by Mr. Wu by virtue of the SFO.

Save as disclosed above, and as at 30 June 2021, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) or other corporation who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 14 to the consolidated financial statements, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Reporting Period.

MANAGEMENT CONTRACTS

No contracts concerning the management or administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the details as disclosed in this annual report, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

CONNECTED TRANSACTIONS, CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTIES TRANSACTIONS

Connected transactions

During the Reporting Period, the Group entered into the following connected transactions which are subject to the reporting requirement under Chapter 14A of the Listing Rules for disclosure in the report.

Reference is made to the Company's announcement dated 31 July 2019, and the defined terms herein shall have the same meanings as those ascribed to them in the announcement unless otherwise specified.

On 31 July 2019, the Company entered into a Subscription Agreement with Rui Er Holdings Company Limited, the controlling shareholder of the Company (the "Controlling Shareholder") (a connected person of the Company), pursuant to which the Company agreed to issue, and the Controlling Shareholder agreed to subscribe for, (i) Bonds in the principal amount of HK106.0 million; (ii) Convertible Bonds in the principal amount of HK$74.0 million; and (iii) 148,715,040 Rui Er Warrants. The aggregate consideration payable by the Controlling Shareholder was approximately HK$186.0 million.

The Bonds are for a term of three years and carry an interest rate of 2.28% per annum.

The Convertible Bonds are for a term of three years and carry an interest rate of 2.28% per annum. The Convertible Bonds may be converted into 395,721,925 Conversion Shares at the Conversion Price of HK$0.187 per Conversion Share (subject to adjustments) upon full conversion, representing approximately 22.7% of the issued share capital of the Company as enlarged by the issuance and allotment of the Conversion Shares upon full conversion of the Convertible Bonds (assuming there being no other changes in the issued share capital of the Company).

The Warrant Subscription Price of each Rui Er Warrant is HK$0.04. Each Rui Er Warrant entitles the holder(s) thereof to subscribe for one Rui Er Warrant Share at the Warrant Exercise Price of HK$0.157 within one year commencing from the Warrant Issue Date. Upon full exercise of the Rui Er Warrants, 148,715,040 Rui Er Warrant Shares (subject to adjustments) are to be issued, representing approximately 9.9% of the issued share capital of the Company as enlarged by the issuance and allotment of the Rui Er Warrant Shares (assuming there being no other changes in the issued share capital of the Company).

The Company intends to apply proceeds from the issuance of Bonds and the Convertible Bonds, which amount to HK$180.0 million in the aggregate, to repay, in part, the outstanding liability arising from the Loan Facility and the Bank Loans of the Company.

The Company intends to apply proceeds from the issuance of the Rui Er Warrants to the Controlling Shareholder and Individual Warrants to an independent third party individual (collectively "Warrants"), which amount to HK$10.8 million in the aggregate, to settle the outstanding interest payments owed to other creditors of the Company.

Assuming full exercising of the subscription rights attaching to the Warrants, proceeds of HK$42.3 million will be raised. Although it is the holders of the Warrants to decide when and whether to exercise the subscription rights attaching to the Warrants, the Controlling Shareholder, being the subscriber of the Rui Er Warrants, agrees to exercise such rights to provide funding to the Group as and when requested by the Group. The Company intends to apply such proceeds to (i) repay finance costs to be incurred; (ii) fund its operating restructuring in the PRC; and (iii) the general working capital of the Company.

The Company believes that the aforementioned proceeds will enable the Group to improve its financial condition, which is in the best interests of the Company and its shareholders as a whole.

On 28 February 2020, all conditions precedent under the Subscription Agreement had been fulfilled and the Subscription Completion took place.

For further details, please refer to the announcements of the Company dated 31 July 2019, 1 November 2019, 10 December 2019, 31 December 2019, 31 January 2020 and 28 February 2020 and the circular dated 10 December 2019.

The Company believes that the aforementioned proceeds will enable to the Group to improve its financial condition, including through the Loan Settlement, which is in the best interest of the Company and the Shareholders as a whole. Upon completion of the Loan Settlement and the Proposed Fund Raising, it is expected that (i) the Outstanding Liabilities will be reduced to HK$209.0 million and hence the Company's indebtedness will be substantially reduced; (ii) the liquidity position of the Company will be significantly improved; (iii) the Company's interest burden will be alleviated; and (iv) the Company will record a gain on Debt Restructuring which would be the partial wavier on the Outstanding Liabilities.

On 28 February 2020, all conditions precedent under the Subscription Agreement and the Warrant Subscription Agreement have been fulfilled and the Subscription Completion and Warrant Completion took place. The Convertible Bonds in an aggregate principal amount of HK$74.0 million were issued to Mr. Wu and the Warrants have been issued to Mr. Wu and Ms. Hu, in accordance with the terms of the Subscription Agreement and the Warrant Subscription Agreement respectively.

Conversion of convertible notes pursuant to Subscription Agreement dated 31 July 2019 was made on 14 December 2020 and warrant shares upon exercise of unlisted Rui Er Warrants pursuant to the Subscription Agreement dated 31 July 2019 were issued on 17 February 2021. For further details, please refer to the Next Day Disclosure Returns announced on 14 December 2020 and 18 February 2021.

Related parties transactions

The material related party transactions in relation to the key management compensation as disclosed in note 40 to the consolidated financial statements in this annual report are connected transactions exempt from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.95 of the Listing Rules.

Save as disclosed above, the Directors consider that those material related party transactions disclosed in note 40 to the financial statements did not fall or exempted under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules.

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

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the Reporting Period, the Directors were not aware of any business or interest of the Directors or any substantial Shareholders (as defined under the Listing Rules) and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

SECURED BANK LOANS

Particulars of secured bank loans the Group as at 30 June 2021 are set out in note 25 to the consolidated financial statements.

RETIREMENT SCHEMES

Particulars of the retirement schemes and contributions to defined contribution plans of the Group are set out in note 35 to the consolidated financial statements.

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 the Model Code to the Listing Rules. Specific enquiry has been made of all the Directors and all of the Directors have confirmed that they had complied with the Model Code and such code of conduct during the Reporting Period.

SHARE OPTION SCHEME

In order to attract and retain the eligible persons, to provide additional incentive to them and to promote the success of the business of the Group, the Company conditionally adopted a share option scheme (the "Scheme") on 7 June 2008 whereby the Board are authorised, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the Shares to, inter alia, any employees (full-time or part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group or any substantial Shareholder. The Scheme became unconditional on 10 July 2008 and shall be valid and effective for a period of ten years commencing on 7 June 2008, subject to the early termination provisions contained in the Scheme. The Scheme limit in respect of the grant of options to subscribe for Shares in the share capital of the Company under the Scheme has been refreshed by a resolution passed at the annual general meeting of the Company held on 5 November 2012.

An offer for the grant of options must be accepted within 7 days inclusive of the day on which such offer was made. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of options is HK$1.00. The subscription price of a Share in respect of any particular option granted under the Scheme shall be a price at the discretion of the Board, provided that it shall be at the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the options; and (iii) the nominal value of the Shares on the date of grant of the options.

The Company shall be entitled to issue options, provided that the total number of Shares which may be issued upon exercise of all outstanding options to be granted under the Scheme and any other share option scheme of the Company does not exceed 10% of the Shares in issue on the date when the Scheme was refreshed by a resolution passed at the annual general meeting of the Company held on 5 November 2012. For details of the said refreshment of scheme limit, please refer to the circular and the announcement of the Company dated 25 September 2012 and 5 November 2012 respectively. The Company may at any time refresh such limit, subject to in compliance with the Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company does not exceed 30% of the Shares in issue from time to time. The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

An option may be exercised at any time during a period which shall not exceed ten years from the date of grant subject to the provisions of early termination under the Scheme. There is no minimum period for which an option must be held before it can be exercised under the Scheme.

The status of the share options under the Scheme during the Reporting Period is as follows:

Category of participants	As at 1 July 2020	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	As at 30 June 2021	Date of grant of share options	Exercise period of share options	Exercise price of share options HK$	Share price of the Company as at the date of grant of share options* HK$
Director/Chief executive									
Others qualified Participants**	9,850,000	—	—	9,850,000	0	20 November 2015	5 years from the date of grant	1.112	1.100

* The share price of the Company as at the date of the grant of the share options was the closing price as quoted on the Stock Exchange of the trading day immediately prior to the date of the grant of the share options.

** Other qualified participants of the Group being granted share options under the Scheme, all of them are not Directors, chief executive or substantial Shareholders or their respective associates.

No exercise of 2015 Options during the period ended 19 November 2020. During the Reporting Period, all of the Company's 2015 Options were lapsed.

For further information of the share options, please refer to note 33 to the consolidated financial statements.

SHARE AWARD SCHEME

On 11 September 2015, the Company adopted the share award scheme (the "Share Award Scheme") under which the board of directors may, from time to time, award the Shares (the "Awarded Shares") to selected participants (including, without limitation, any Directors) of the Company or of any subsidiary (the "Selected Participant") pursuant to the terms of the trust deed of the Share Award Scheme. The Share Award Scheme shall be valid and effective for a period of ten years commencing on the adoption date.

The number of Awarded Shares permitted to be awarded under the Share Award Scheme throughout the duration of the Share Award Scheme is limited to 10% of the issued share capital of the Company as at the adoption date. The maximum aggregate number of Awarded Shares which may be awarded to a Selected Participant shall not exceed 1% of the issued share capital of the Company as at the adoption date.

During the Reporting Period, no share was granted by the Company. Details of the Share Award Scheme are set out in the announcement issued by the Company on 11 September 2015.

PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital are held by the public at all times during the Reporting Period and up to the date of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association and the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance. Save as disclosed in the Corporate Governance Report of this annual report, the Company has complied with all the applicable provisions as set out in the Code on Corporate Governance Code — Appendix 14 to the Listing Rules in the Reporting Period. Information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 24 to 34 of this annual report.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to Attend and Vote at the 2021 AGM

For determining the Shareholders' eligibility to attend and vote at the forthcoming annual general meeting to be held on 10 December 2021 (Friday) (the "AGM"), the register of members of the Company will be closed from 7 December 2021 (Tuesday) to 10 December 2021 (Friday), both days inclusive, during which period no transfer of Shares will be registered. The record date will be 10 December 2021 (Friday). In order to qualify for attending and voting at the AGM, all transfer of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong Share Registrar, Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F., Central Tower, 28 Queen's Road Central, Hong Kong no later than 4:30 p.m. on 6 December 2021 (Monday).

AUDITORS

The consolidated financial statements for the year have been audited by Yongtuo Fusion CPA Limited, who will retire and, being eligible, offer itself for re-appointment at the forthcoming AGM.

On behalf of the Board

Wu Shaohao
Chairman

Hong Kong, 27 September 2021

Corporate Governance Report

The Board recognises the importance of good corporate governance practices in safeguarding the interest of the shareholders of the Company (the "Shareholders"). The Company is committed to achieving and maintaining high standards of corporate governance, the principles of which serve to uphold transparency, accountability and independence in all aspects of business and endeavours to ensure that affairs are conducted in accordance with applicable laws and regulations.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to fulfilling its responsibilities to the Company's shareholders (the "Shareholders") and protecting and enhancing Shareholders' value through good corporate governance.

The Board recognises the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company has adopted the principles and all relevant code provisions as set out under the Corporate Governance Code (the "CG code") contained in Appendix 14 to the Listing Rules.

To the best of the knowledge of the Board, the Company has complied with the CG code during the Reporting Period. The Board will periodically review the Company's corporate governance functions and will continuously improve the Company's corporate governance practices by assessing their effectiveness with evolving standards to meet changing circumstances and needs.

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 the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. Specific enquiry has been made to all the Directors and all the Directors have confirmed that they had fully complied with the Model Code and the Company's code of conduct during the Reporting Period.

THE BOARD OF DIRECTORS

Composition of the Board

The Board has a balance of skills and experience required of the Group's business. The Board includes a balanced composition of executive and independent non-executive Directors so that independent judgment can be effectively exercised.

The Board currently comprises two executive Directors and three independent non-executive Directors. During the Reporting Period and up to the date of this report, the Directors were:

Executive Directors

Mr. Wu Shaohao *(Chairman)*
Mr. Wu Liantao

Independent Non-Executive Directors

Mr. Chen Ying
Mr. Kyaw Sai Hong
Mr. Ma Chi Kin

The brief biographic details of and relationship between the existing Directors are set out in the section headed "Board of Directors and Senior Management" on pages 10 to 12. Save as disclosed under the section headed "Board of Directors and Senior Management", there is no financial, business, family or other material or relevant relationships between Board members.

During the Reporting Period, the Board maintained a high level of independence, with more than one-third of the Board comprised of independent non-executive Directors, who had exercised independent judgement. The independent non-executive Directors are expressly identified in all corporate communications whenever the names of the Directors are disclosed.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors satisfied the Listing Rules requirement of independence.

Chairman and Chief Executive

Mr. Wu serves as the Chairman of the Company. Ms. Hu Mingyue, who had been the deputy chief executive officer of the Company since 2 January 2019, was promoted and served as the chief executive officer of the Company with effect from 1 February 2021. Ms. Hu tendered her resignation as the chief executive officer on 30 September 2021. Mr. Wu Liantao, an executive director of the Company, was re-designated as the chief executive officer of the Company with effect from 30 September 2021 following the resignation of Ms. Hu.

Board Meetings

The Board meets regularly. In addition to regular meetings, it meets as and when warranted by particular circumstances. During the Reporting Period, four Board meetings were held. The Directors attended the meetings in person or by telephone in accordance with the Articles of Association.

A record of the Directors' attendance at the Board meetings and general meetings of the Company held during the Reporting Period are set out as follows:

	Attendance/ Number of Board meetings held	Attendance/ Number of general meetings held
Executive Directors		
Mr. Wu Shaohao *(Chairman)*	4/4	1/1
Mr. Wu Liantao	4/4	1/1
Independent Non-Executive Directors		
Mr. Chen Ying	4/4	1/1
Mr. Kyaw Sai Hong	4/4	1/1
Mr. Ma Chi Kin	4/4	1/1

The company secretary, chief financial executive and other selected members from the Company also attended the annual general meeting together with our external auditor, Yongtuo Fuson CPA Limited to answer any question from the Shareholders. All Directors treasure the opportunity to canvass the views of the Shareholders in AGMs held annually.

Corporate Governance Report

Board Responsibilities and Delegation

The Board is responsible for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorising the annual development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance and determining the corporate governance policy of the Group. The Board delegates the day-to-day management, administration and operation of the Group to management. The delegated functions are reviewed by the Board periodically to ensure that the needs of the Group are accommodated. The Board gives clear directions to the management as to the matters that must be approved by the Board before decisions are made on behalf of the Group.

During the Reporting Period, the Board has reviewed and discussed the corporate governance policy of the Group and is satisfied with the effectiveness of the corporate governance policy.

Appointment, Re-election and Removal of Directors

The Company has established the Nomination Committee on 7 June 2008. The Nomination Committee has from time to time identify individuals suitably qualified to become Board members and make recommendations to the Board. The main consideration in selecting candidates for directorships is whether their characters, qualifications and experience are appropriate for the businesses of the Group.

Each of Mr. Chen Ying, Mr. Kyaw Sai Hong and Mr. Ma Chi Kin has entered into a service contract for a term of 2 years which may be terminated by either party giving to the other party at least 3 months' prior written notice. All independent non-executive Directors are subject to rotation and re-election at annual general meeting of the Company in accordance with the articles of association of the Company.

In accordance with the articles of association of the Company (the "Articles of Association"), at each annual general meeting, the Directors who were appointed during the year will retire from office as Directors and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

Insurance for the Directors' and Officers' liabilities

The Company has bought liability insurance for Directors and officers in respect of legal action against the Directors and officers which is in compliance with code provision A.1.8 of the Code.

Induction and Continuous Professional Development

Newly appointed Directors will receive guideline and reference materials to enable them to familiarise with the Group's business operations and the Board's policies.

The Company is committed to arranging and funding suitable training to all Directors for their continuous professional development. Each Director is briefed and updated from time to time to ensure that he is fully aware of his responsibilities under the Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group. All the Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

According to the records provided by the Directors, a summary of training received by the Directors during the Reporting Period is set out below:

Name of Directors	Type of continuous professional development programmes (Notes)
Executive Directors	
Mr. Wu Shaohao *(Chairman)*	1,2
Mr. Wu Liantao	1,2
Independent Non-executive Directors	
Mr. Chen Ying	1,2
Mr. Kyaw Sai Hong	1,2
Mr. Ma Chi Kin	1,2

Notes:

1 Attend internal training

2 Attend workshop/seminars/conference/continuing development programme

BOARD COMMITTEES

Remuneration Committee

The Remuneration Committee of the Company comprises one executive Director and two independent non-executive Directors. The roles and functions of the Remuneration Committee include consulting the Chairman about their remuneration proposals for other executive Directors, making recommendation to the Board on the Company's remuneration policy and structure for all Directors' and senior management and making recommendation to the Board on the remuneration packages of individual Directors' and senior management. The Remuneration Committee's authority and duties are set out in written terms of reference that are posted on the website of the Stock Exchange and the Company.

During the Reporting Period, the Remuneration Committee, among others, had reviewed the Group's remuneration policy and the terms of the executive Directors' service contracts, made recommendation to the Board on the policy for the remuneration of non-executive Directors, independent non-executive Directors and Chief Executive Officer (where applicable), assessed performance of non-executive Directors, independent non-executive Directors and Chief Executive Officer (where applicable) and approved the terms of independent non-executive Directors' service contracts.

Two meetings were held during the Reporting Period and the attendance by each committee member is set out below:

Members of Remuneration Committee	Attendance/ Number of meetings
Mr. Chen Ying *(Chairman)*	2/2
Mr. Ma Chi Kin	2/2
Mr. Wu Shaohao	2/2

Nomination Committee

The Nomination Committee of the Company comprises one executive Director and two independent non-executive Directors. The roles and functions of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, identifying individuals suitably qualified to become Board member and assessing the independence of independent non-executive Directors. The Nomination Committee is established with specific terms of reference which deal clearly with the committee's authority and duties and is available on the website of the Stock Exchange and the Company.

During the Reporting Period, the Nomination Committee has reviewed the existing structure, composition and diversity of the Board and assessed the independence of the independent non-executive Directors. The Nomination Committee has also reviewed objectives set for implementing the Board Diversity Policy.

Since the Board is composed of members coming from diverse backgrounds, the nomination committee considered the Board to possess a diversity of perspectives which is up to the standard of the CG Code and is appropriate to the Group's requirements which is determined by the Directors' skills and experience appropriate to the Company's business. Besides, the nomination committee had also evaluated the performance of the retiring Directors during the year.

Two meetings were held during the Reporting Period and the attendance by each committee member is set out below:

Members of Nomination Committee	Attendance/ Number of meetings
Mr. Wu Shaohao *(Chairman)*	2/2
Mr. Kyaw Sai Hong	2/2
Mr. Ma Chi Kin	2/2

Audit Committee

The Audit Committee currently consists of 3 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.

During the Reporting Period, the Audit Committee has discussed and reviewed the interim and final results of the Group and certain other businesses. The effectiveness of the Company's internal control was also discussed at the meetings. The Audit Committee has also reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the interim report, the annual report, the interim result of the Group and the final result of the Group for the Reporting Period. The Audit Committee has noted the material uncertainties of events or conditions that may cast significant doubt on the Group's ability to continue to operate as a going concern as reported in the Independent Auditor's Report. There was no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors.

Two meetings were held during the Reporting Period and the attendance by each committee member is set out below:

Members of Audit Committee	Attendance/ Number of meetings
Mr. Kyaw Sai Hong *(Chairman)*	2/2
Mr. Chen Ying	2/2
Mr. Ma Chi Kin	2/2

Investment and Compliance Committee

The Company established the Investment and Compliance Committee on 1 October 2019 with specific written terms of reference.

The Investment and Compliance Committee of the Company comprises two executive Directors and one independent non-executive Director. The roles and functions of the Investment and Compliance Committee include reviewing, evaluating investment projects for long-term development of the Company (including mergers & acquisition, joint venture and equity investments) and making recommendations to the Board on the major investment and financing solutions, studying and making recommendations to the Board on the major capital investment and other significant investment matters which may have effect on the development of the Company, supervising the implementation of the above-mentioned matters duly approved by the Board and other matters as delegated by the Board, making recommendations to the Board on compliance matters in relation to rules and regulations issued by Hong Kong Exchanges and Clearing Limited, the Securities and Futures Ordinance and relevant rules and regulations and to make recommendations to the Board in relation to the policy of corporate governance of the Company. The Investment and Compliance Committee's authority and duties are set out in written terms of reference that are posted on the website of the Stock Exchange and the Company.

During the Reporting Period, the Investment and Compliance Committee, among others, had reviewed the Group's investment projects and financing solutions for long-term development of the Company and made recommendations to the Board on significant investment matters which may have effect on the development of the Company. It also has made recommendations to the Board on compliance matters and the policy of corporate governance of the Company.

Two meetings were held during the Reporting Period and the attendance by each committee member is set out below:

Members of Investment and Compliance Committee	Attendance/ Number of Meetings
Mr. Wu Shaohao *(Chairman)*	2/2
Mr. Wu Liantao	2/2
Mr. Kyaw Sai Hong	2/2

AUDITOR'S REMUNERATION

During the year, the Company engaged Yongtuo Fuson CPA Limited as the external auditors. The remuneration paid or payable to the external auditors of the Group for the Reporting Period comprised fees for audit services of HK$1,500,000 (equivalent to approximately RMB1,280,000) (2020: HK$1,000,000 (equivalent to approximately RMB902,000).

During the Reporting Period, non-audit service provided by Yongtuo Fuson CPA Limited amounted to HK$45,000.

The Board is aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. As at 30 June 2021, the Company had net current liabilities of approximately RMB263 million and an accumulated deficit of RMB237 million.

As set out in the announcement dated 23 October 2020, the Company and certain banks, principal of which under the Original Agreement amounted to approximately RMB116,000,000, entered into the Loan Restructuring Agreement, pursuant to which, the Banks agreed to restructure their respective bank loan principal as an extended syndication loan with a tenor of 5 years. Further to the terms and conditions to the Agreement, the Banks agreed not to commence or continue with any legal proceedings against the Company in relation to the breaching of clauses of the Original Agreement.

In addition, the Directors have taken the measures to improve the Group's financial position which include, but are not limited to, the following: (i) The Group continue to take active measures to control operation and administrative costs through various channels, including but not limited to (i) having production and human resources optimisation and adjustments, (ii) reorganising the structure to each segment and maintaining close communication with suppliers, customers and banks, etc. (iii) committing to soliciting for new customers and exploring overseas markets to support the substantiable development of principle business of the Group; and (iv) containment of capital expenditures etc.; and (ii) The Group is now actively in the process of negotiating with various banks, other financial institutions, third parties and related parties to raise short-term or long-term financing to the Group (the "Additional Funding Plan").

The Additional Funding Plan includes the active negotiation with certain potential investors in relation to the issue of bonds. The Company has appointed an independent broker to solicit potential investors and certain investors have preliminary agreed to subscribe the bonds and the Company expects the issue of bonds will be completed before the end of 2021.

RISK MANAGEMENT AND INTERNAL CONTROL

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

Different departments and business units of the Group regularly inspect and examine their own risk management process in order to locate the shortcomings and remedy the situation if possible. Their inspection and examination reports are delivered to the Group's risk management department in time.

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Board further considers that (i) there was no material issue relating to the Group's risk management and internal controls, including financial, operational and compliance controls and risk management functions of the Group; and (ii) that there were adequate staff with appropriate and adequate qualifications and experience, resources for accounting, internal audit and financial reporting functions, and adequate training programmes had been provided during the year ended 30 June 2021.

The Company's risk management and internal control systems have the following principles, features and processes:

Principles of Risk Management

Risk management is an advanced management technique based on the internal control system of the Company and requires the participation of the Board, the management and the employees of the Company. It is a risk control process applying to the Company's strategic development planning, each process and function of its internal operation for the purpose of identifying matters that may have potential impacts on the Company and controlling risks according to its risk appetite, which in turn provides the Company with reasonable assurance to achieve its business objectives.

The objectives of the Company's risk management and internal control are as follows:

(1) Identifying matters that may have potential impacts on the Group and controlling risks according to its risk appetite;

(2) Providing the Board and the Management of the Company with reasonable assurance to achieve the Company's business objectives. This includes but is not limited to: utilizing resources in an efficient and effective way; preventing the loss of assets; maintaining the reliability and integrity of information; keeping consistence between policies, plans, procedures, laws and regulations.

Features of the risk management

The risk management and internal control system of the Company can be divided into four parts as follows:

(1) Identifying risks: The Audit Committee will supervise the management of the Company to identify uncertainties and decide the degree of such risks.

(2) Risk assessment: The Audit Committee identifies risks from a long-term perspective and assesses different risk parameters while analysing relevant information collected for this purpose. The Audit Committee will draw the attention of the management on related risks.

(3) Critical risk control points of internal control in each business segment: The Company carries out its risk management based on its other internal control systems and strictly complies with the internal control systems of each business segments while implementing measures for each risk control points.

(4) Accounting control: The Company rigorously conforms to the International Financial Reporting Standards, the International Accounting Standards, the disclosure requirement of the Hong Kong Companies Ordinance, the Accounting Standards for Business Enterprises and major accounting policies of the Company, so as to ensure the safety and integrity of its assets and give a true and fair view of its financial position, financial performance and cash flows.

Process of the risk management

The Board has delegated to the Audit Committee responsibility for reviewing the effectiveness of the Group's internal control system. The Audit Committee works with the Group's internal audit department to carry out internal audit works based on an internal audit plan which is reviewed and approved by the Audit Committee. The Group's internal audit department reports its findings and recommendations for any corrective action required to the Audit Committee. The Audit Committee reviews the reports submitted by the internal audit department in respect of the regular review of the risk management and internal control systems. Any issues on the risk management and internal control system of the Group are discussed and evaluated by the Board at least once every year, which cover the period of the preceding financial year, or a shorter period when the review is performed more than once during the year.

The Company instructs its dedicated policy researchers to identify the trend of policy change with an aim to minimize political influence on the Group's business. The Company will also conduct research on laws, regulations and industrial standards to predict potential changes and consult relevant experts when necessary.

During the year ended 30 June 2021, the Company appointed Cheng Limited to conduct has conducted an examination on various material control aspects including financial and operational controls with the aim of mitigating the overall business and operational risk of the Group. Risk management and internal control systems reports were submitted to the Audit Committee for review and the findings and recommendations were discussed at the committee meetings. Matters including the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and reporting functions were reviewed.

Internal control of confidential information

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR FINANCIAL STATEMENTS

All Directors acknowledge their responsibilities for preparing the financial statements for the Reporting Period. The auditor of the Company acknowledges its reporting responsibilities in the auditor's report on the financial statements for the Reporting Period. The Directors have noted the material uncertainties of events or conditions that may cast significant doubt on the Group's ability to continue to operate as a going concern as reported in the Independent Auditor's Report. The Directors have undertaken a number of measures to improve the Group's liquidity and financial position and to remediate certain delayed repayments to financial institutions. The consolidated statements have been prepared on a going concern basis.

COMPANY SECRETARY

The company secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The company secretary reports to the Chairman and is responsible for advising the Board on corporate governance matters and facilitating communication between Board members, the Shareholders and management of the Company. During the Reporting Period, the company secretary undertook more than 15 hours of relevant professional training. The biography of the company secretary is set out in the section "Board of Directors and Senior Management" on page 10 to 12 of this annual report.

THE SHAREHOLDERS' RIGHTS

Convening an Extraordinary Meeting by Shareholders

Pursuant to Article 64 of the Articles of Association, extraordinary general meetings shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If the Board fails to convene such meeting within 21 days of such deposit, the requisitionist(s) himself (themselves) may do so in the same manner.

Procedures for Putting Forward Proposals at General Meetings by Shareholders

Shareholders are requested to follow Article 64 of the Articles of Association for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "Convening an Extraordinary Meeting by Shareholders".

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

Company Secretarial Department and Investor Relations Department of the Company handle both telephone and written enquiries from Shareholders from time to time. Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant Board Committees of the Company, where appropriate, to answer the Shareholders' questions.

The procedures for Shareholders to propose a person for election as a Director is posted on the website of the Company.

Communication with Shareholders

Information of the Group is delivered to the Shareholders through a number of channels, which include annual report, interim report, announcements and circulars at the corporate website (https://hksummi.com/). The latest information of the Group together with the published documents are also available on the Company's website.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Investor Relations Department of the Company whose contact details are as follows:

Investor Relations Department
Summi (Group) Holdings Limited
Room 1012, 10/F., Block A
Hung Hom Commercial Centre
37 Ma Tau Wai Road
Hung Hom, Kowloon
Hong Kong
Email: adminhk@hksummi.com
Tel No.: (852) 3163 1000
Fax No.: (852) 3163 1122

POLICY ON PAYMENT OF DIVIDENDS

The Company adopted a policy on payment of dividends (the "Dividend Policy") in compliance with E.1.5 of the CG Code which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company.

The Company will declare and/or recommend the payment of dividends to Shareholders after considering the Company's ability to pay dividends, which will depend upon, among other things, its actual and expected financial results, cash flow, general business conditions and strategies, current and future operations, statutory, contractual and regulatory restrictions and so on. The Board has complete discretion on whether to pay a dividend, subject to Shareholders' approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group. The Board may also consider declaring special dividends from time to time, in addition to the interim and/or final dividends.

The Company shall review and reassess the Dividend Policy and its effectiveness on a regular basis or as required.

INVESTOR RELATIONS

Constitutional Documents

During the Reporting Period, the Company did not make any changes to the Memorandum and Articles of Association, and the current version of which is available on the websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the Code but also about promoting and developing an ethical and healthy corporate culture. The Company will continue to review and, where appropriate, improve the current practices on the basis of the experience, regulatory changes and developments. Any views and suggestions from the Shareholders to promote and improve the transparency are also welcomed.

On behalf of the Board

Wu Shaohao
Chairman

Hong Kong, 27 September 2021

永拓富信會計師事務所有限公司
YONGTUO FUSON CPA LIMITED

TO THE MEMBERS OF SUMMI (GROUP) HOLDINGS LIMITED
森美（集團）控股有限公司
(Incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Summi (Group) Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 39 to 151, which comprise the consolidated statement of financial position as at 30 June 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cashflows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significant of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements and as to whether the consolidated financial statements have been properly prepared in compliance with disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

(1) Comparative figures for the year ended 30 June 2020

Our audit opinion on the consolidated financial statements of the Group for the year ended 30 June 2020, which form the basis for the corresponding figures for the year ended 30 June 2020 presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit regarding insufficient audit evidence in respect of transactions during the period from 1 July 2019 to Date of Deregistration (as defined in note 2(i) to the consolidated financial statements) of 重慶邦興果業有限公司 (Chongqing Bangxing Fruit Co., Ltd., "Chongqing Bangxing", a former wholly-owned subsidiary of the Company which was previously mainly engaged in the Group's previous Plantation and Sale of Agricultural Produce Business segment (as described in notes 1 and 2(i) to the consolidated financial statements)), impairment losses recognised in respect of the lease prepayments for orange plantations and loss from changes in fair value less cost to sell in respect of the biological assets of Chongqing Bangxing for the year ended 30 June 2020, and non-compliance with International Financial Report Standards ("IFRS(s)") and omission of disclosures thereof.

As the deregistration of Chongqing Bangxing was completed during the year ended 30 June 2020, any adjustments found to be necessary in respect of above mentioned matters might have significant effects on the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cashflows for the year ended 30 June 2020, our audit opinion on the current year's consolidated financial statements is also modified because of the possible effects of these matters on the comparability of the current year's figures and the corresponding figures. Details of our disclaimer opinion were set out in our independent auditor's reports in respect of the years ended 30 June 2020 and 30 June 2019 which were included in the Company's annual reports for the year ended 30 June 2020 and 30 June 2019 dated 28 September 2020 and 30 September 2019, respectively.

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

(1) Comparative figures for the year ended 30 June 2020 *(Continued)*

The matters of the above mentioned scope limitations no longer have any effect on the current figures in the consolidated financial statements for the year ended 30 June 2021.

However, the comparative figures for the year ended 30 June 2020 presented in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows may contain material misstatements and hence may not be comparable with the figures for the current year.

(2) Multiple uncertainties relating to going concern

As described in note 2(ii) to the consolidated financial statements, during the year ended 30 June 2021, the Group reported a loss of RMB48,518,000, and as at 30 June 2021, the Group had net current liabilities of RMB263,134,000 and a deficit of shareholders' equity attributable to owners of the Company of RMB236,585,000. Further, as at 30 June 2021, the Group's borrowings, including borrowings and corporate bonds were RMB359,155,000. Out of which, as at 30 June 2021, an amount of the Group's borrowings RMB241,736,000 will fall due repayable within one year.

A bank (the "Bank") issued demand letters dated 15 April 2019 and 3 July 2020 and a Writ of Summons indorsed with a Statement of Claim dated 14 July 2020 to the Group relating to a loan granted to the Group. As at 30 June 2021, the outstanding loan balance and accrued interest due to the Bank were RMB15,309,000 and RMB3,036,000, respectively. The Directors are still negotiating with the Bank to restructure the loan and the accrued interest.

During the year, the Group's borrowings with an aggregate amount of RMB113,317,000 was overdue and/or in breaching the clauses of the respective agreements with the lenders and thus, such incidents may cause the relevant borrowings to become immediately due and payable should the lenders exercise their rights under the respective agreements.

In addition, such overdue and/or in breaching of the clauses of the respective agreements also triggered the cross-default terms of the Group's corporate bonds of RMB39,569,000 as at 30 June 2021, which may also cause these borrowings to become immediately due and payable should the lenders exercise their rights under the respective agreements.

These conditions, together with other matters described in note 2(ii) to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The Directors have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate certain delayed repayments to financial institutions, which are set out in note 2(ii) to the consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

(2) Multiple uncertainties relating to going concern *(Continued)*

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including:

(i) Successful in the finalisation of the Financing Reorganisation (as defined in note 2(ii) to the consolidated financial statements) with the lenders and creditors;

(ii) Successful in the Business and Operation Restructuring Plan (as defined in note 2(ii) to the consolidated financial statements);

(iii) Successful in the Additional Funding Plan (as defined in note 2(ii) to the consolidated financial statements);

(iv) Successful in the negotiation with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings in any breach of loan covenants or default, including those with cross-default terms; and

(v) Successful in obtaining of additional new sources of financing as and when needed.

Should the Group fail to achieve the above mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify noncurrent assets and noncurrent liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in the consolidated financial statements.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

The engagement partner on the audit resulting in this independent auditor's report is Liao Yik Lam.

Yongtuo Fuson CPA Limited
Certified Public Accountants
Liao Yik Lam
Practising Certificate Number: P06630

Hong Kong, 27 September 2021

Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the year ended 30 June 2021

	Notes	2021 RMB'000	2020 RMB'000
Continuing Operations			
Revenue	6	**111,168**	50,993
Cost of sales		**(106,937)**	(43,266)
Gross profit		**4,231**	7,727
Other income	8	**3,794**	6,024
Other operating expenses		**(36)**	(135)
Selling and distribution expenses		**(4,072)**	(2,836)
Administrative expenses		**(41,720)**	(42,699)
Gain from loan settlement agreement	9	**—**	372,125
Changes in fair values	11	**13,676**	18,621
Reversal of impairment losses	11	**6,100**	2,610
Finance costs	10	**(30,491)**	(46,020)
(Loss) profit before tax	11	**(48,518)**	315,417
Income tax	12	**—**	—
(Loss) profit for the year from Continuing Operations		**(48,518)**	315,417
Discontinued Operation from Plantation and Sale of Agricultural Produce Business			
Loss for the year from Discontinued Operation	13	**—**	(1)
(Loss) profit for the year		**(48,518)**	315,416
Other comprehensive income (expense) for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**31,437**	(29,369)
Total comprehensive (expense) income for the year attributable to owners of the Company		**(17,081)**	286,047
(Loss) profit for the year attributable to owners of the Company			
— from Continuing Operations		**(48,360)**	315,417
— from Discontinuing Operation		**—**	(1)
		(48,360)	315,416

Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the year ended 30 June 2021

	Notes	2021 RMB'000	2020 RMB'000
Loss for the year attributable to non-controlling interests			
— from Continuing Operations		**(158)**	—
		(48,518)	315,416
Total comprehensive (expenses) income attributable to:			
— owners of the Company		**(16,923)**	286,047
— non-controlling interests		**(158)**	—
		(17,081)	286,047
(Loss) earnings per share	17		
From continuing and discontinued operations			
— Basic and diluted (RMB cents)		**(2.83)**	23.40
— Diluted (RMB cents)		**N/A**	21.48
From Continuing Operations			
— Basic (RMB cents)		**(2.83)**	23.40
— Diluted (RMB cents)		**N/A**	21.48

Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	18	**124,347**	137,468
Right-of-use assets	19	**21,370**	21,806
		145,717	159,274
Current assets			
Inventories	21	**5,659**	15,823
Trade and other receivables	22	**22,138**	8,407
Cash and cash equivalents	23	**3,770**	6,842
		31,567	31,072
Current liabilities			
Trade and other payables	24	**52,802**	84,108
Borrowings	25	**202,167**	171,007
Lease liabilities	19	**163**	131
Corporate bonds	26	**39,569**	42,748
Derivative financial instruments	27	**—**	28,010
Income tax payable		**—**	2
		294,701	326,006
Net current liabilities		**(263,134)**	(294,934)
Total assets less current liabilities		**(117,417)**	(135,660)
Non-current liabilities			
Deferred tax liabilities	28	**1,250**	1,250
Borrowings	25	**57,291**	103,191
Lease liabilities	19	**657**	498
Corporate bonds	26	**60,128**	53,181
Convertible bonds	29	**—**	37,127
Deferred income	30	**—**	—
		119,326	195,247
Net liabilities		**(236,743)**	(330,907)

Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	2021 RMB'000	2020 RMB'000
Capital and reserves			
Share capital	31	**19,341**	11,610
Reserves	32	**(255,926)**	(342,517)
Deficit attributable to owners of the Company		**(236,585)**	(330,907)
Non-controlling interests		**(158)**	—
Total shareholders' deficit		**(236,743)**	(330,907)

The consolidated financial statements from pages 39 to 151 were approved and authorised for issue by the board of directors on 27 September 2021:

WU Shaohao
Director

WU Liantao
Director

The accompanying notes to the consolidated financial statements form an integral part of, and should be read in conjunction with, these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000 (Note 32(a))	Capital reserve RMB'000 (Note 32(b))	Shares held under the share award scheme RMB'000 (Note 32(c))	Statutory reserves RMB'000 (Note 32(d))	Exchange reserve RMB'000 (Note 32(e))	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
As at 1 July 2019	11,610	453,671	46,390	(11,159)	38,810	(36,279)	(1,163,907)	(660,864)	—	(660,864)
Profit for the year	—	—	—	—	—	—	315,416	315,416	—	315,416
Other comprehensive expense for the year										
— Exchange differences arising on translation of foreign operations	—	—	—	—	—	(29,369)	—	(29,369)	—	(29,369)
Total comprehensive income (expense) for the year	—	—	—	—	—	(29,369)	315,416	286,047	—	286,047
Deemed contribution from the Controlling Shareholder (note 32(b))	—	—	43,910	—	—	—	—	43,910	—	43,910
As at 30 June 2019 and 1 July 2020	11,610	453,671	90,300	(11,159)	38,810	(65,648)	(848,491)	(330,907)	—	(330,907)
Loss for the year	—	—	—	—	—	—	(48,360)	(48,360)	(158)	(48,518)
Other comprehensive income for the year										
— Exchange differences arising on translation of foreign operations	—	—	—	—	—	31,437	—	31,437	—	31,437
Total comprehensive income (expense) for the year	—	—	—	—	—	31,437	(48,360)	(16,923)	(158)	(17,081)
Equity-settled share-based payments	—	—	(14,906)	11,159	—	—	3,747	—	—	—
Issue of shares upon conversion of Convertible Bonds (note 29)	3,275	46,234	—	—	—	—	—	49,509	—	49,509
Issue of shares upon exercise of Warrants (note 27)	2,230	32,794	—	—	—	—	—	35,024	—	35,024
Issue of shares	2,226	24,486	—	—	—	—	—	26,712	—	26,712
As at 30 June 2021	19,341	557,185	75,394	—	38,810	(34,211)	(893,104)	(236,585)	(158)	(236,743)

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES		
(Loss) profit before tax		
— Continuing Operations	**(48,518)**	315,417
— Discontinued Operation	**—**	(1)
	(48,518)	315,416
Adjustments for:		
Depreciation of property, plant and equipment	**19,098**	22,803
Depreciation of right-of-use assets	**759**	748
Reversal of impairment losses in respect of property, plant and equipment and trade and other receivables	**(6,100)**	(2,610)
Impairment loss recognised (reversed) in respect of inventories	**8,078**	(5,873)
Write-off of inventories	**—**	2,258
Finance costs	**30,491**	46,020
Bank interest income	**(49)**	(213)
Gains on disposals of property, plant and equipment	**(24)**	—
Gain from loan settlement agreement	**—**	(372,125)
Changes in fair values	**(13,676)**	(18,621)
Government grants — release of deferred income	**—**	(1,180)
Operating cash flows before movements in working capital	**(9,941)**	(13,377)
Decrease in inventories	**2,086**	9,800
(Increase) decrease in trade and other receivables	**(5,503)**	18,928
Decrease in trade and other payables	**(7,269)**	(18,703)
Cash used in operations	**(20,627)**	(3,352)
Income tax paid	**(2)**	—
NET CASH USED IN OPERATING ACTIVITIES	**(20,629)**	(3,352)
INVESTING ACTIVITIES		
Proceeds from disposals of property, plant and equipment	**188**	—
Bank interest income received	**49**	213
Purchase of property, plant and equipment	**(51)**	(6,486)
Placement of security deposits	**(8,275)**	—
Withdrawal of pledged bank deposit	**—**	8,244
Withdrawal of security deposit	**47**	—
NET CASH (USDE IN) FROM INVESTING ACTIVITIES	**(8,042)**	1,971

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	2021 RMB'000	2020 RMB'000
FINANCING ACTIVITIES		
Repayments of borrowings	**(102,781)**	(347,113)
(Repayment to) advance from a director	**(29,892)**	27,795
Interest paid	**(7,263)**	(23,765)
Repayments of lease liabilities	**(177)**	(490)
Proceeds from issue of new shares upon exercise of Warrants	**35,014**	—
Proceeds on issue of shares	**26,713**	—
New borrowings raised	**99,280**	176,010
New corporate bonds issued	—	96,630
Proceeds on issue of Convertible Bonds	—	67,459
Proceeds on issue of Warrants	—	9,827
NET CASH FROM FINANCING ACTIVITIES	**20,894**	6,353
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(7,777)**	4,972
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**6,842**	4,364
Effect of foreign exchange rate changes	**4,705**	(2,494)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by cash and cash equivalents	**3,770**	6,842

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

1. GENERAL

Summi (Group) Holdings Limited was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent and ultimate holding company is Rui Er Holdings Company Limited (the "Controlling Shareholder"), a company incorporated in the British Virgin Islands (the "BVI"). 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. The principal activities of its subsidiaries are set out in note 43.

Prior to the Termination Date (as defined in note 2(i)), the Group was previously principally involved in: (1) plantation and sale of agricultural produce (the "Plantation and Sale of Agricultural Produce Business"); (2) production and sale of frozen concentrated orange juice ("FCOJ") and other related products (the "Production and Sale of FCOJ and Other Related Products Business"); and (3) production and sale of Summi 100% freshly squeezed orange juice ("Summi Fresh Orange Juice") and other products (the "Product and Sale of Summi Fresh Orange Juice and Other Products Business"). Subsequent to the cessation of the Plantation and Sale of Agricultural Produce Business segment in prior years (the "Discontinued Operation", and details of which are set out in notes 2(i) and 13), from the Termination Date, the Group continues to be engaged in the Production and Sale of FCOJ and Other Related Products Business and Product and Sale of Summi Fresh Orange Juice and Other Products Business (collectively referred to as the "Continuing Operations").

The Company's functional currency is Hong Kong dollars ("HK$") while that for the major subsidiaries in the People's Republic of China (the "PRC") is Renminbi ("RMB"). As the operation of the Group is mainly held in the PRC, the directors of the Company (the "Directors") consider that it is appropriate to present the consolidated financial statements in RMB.

The English names of all the companies established in the PRC presented in these consolidated financial statements represent the best efforts made by the directors of the Company for the translation of the Chinese names of these companies to English names as they do not have official English names.

2. BASIS OF PREPARATION

(i) Chongqing Bangxing

As disclosed in the Company's announcements dated 12 April 2019, 16 April 2019, 23 April 2019, 3 May 2019, 26 June 2019 and 30 July 2019, the management of the Company was unable to contact Mr. Sin Ke ("Mr. Sin"), who was the former Chairman of the Board, the former Chief Executive Officer and the former executive director of the Company. Pursuant to the amended and restated Articles of Association of the Company and the service contract between Mr. Sin and the Company, Mr. Sin was removed from his position as a director of the Company on 23 April 2019. Further, Mr. Sin had also ceased to be the Chairman and the Chief Executive Officer of the Company at the same time. Since Mr. Sin was the main contact person between the Company and the orange plantations (the "Orange Plantations") in respect of the Group's Plantation and Sale of Agricultural Produce Business through a former wholly-owned subsidiary of the Company, 重慶邦興果業有限公司 (Chongqing Bangxing Fruit Co., Ltd., "Chongqing Bangxing") at that moment, the Group had taken measures in order to assess the Orange Plantations such as visiting the Orange Plantations and communicating and negotiating with the local communities of plantations. However, in view of the left of Mr. Sin, the Group could not reach an agreement with the local communities of plantations and the Group had been unable to access to the oranges borne by the orange trees in the Orange Plantations. After several months of efforts, the management of the Company had abandoned the negotiation with the local communities of plantations and thus, pursuant to the resolution of the board of Directors on 26 June 2019, the Company decided to cease and discontinue its Plantation and Sale of Agricultural Produce Business with effective from 26 June 2019 (the "Termination Date"), i.e. the Discontinued Operation and details of which are described in note 13.

In September 2019, the Group submitted the application to the relevant PRC government authorities to deregister Chongqing Bangxing and the deregistration procedures was completed on 4 November 2019 (the "Date of Deregistration"). Subsequently, all the assets and liabilities of Chongqing Bangxing were derecognised from the consolidated financial statements of the Group, if any.

Given the loss of certain accounting records and documents of Chongqing Bangxing and the fact that the Group was unable to contact Mr. Sin, certain former key personnel and management of the Group who were previously responsible to the operations and businesses of Chongqing Bangxing, the Directors considered that the historical information of Chongqing Bangxing may not be complete and sufficient to establish an accurate and reliable view of the historical transactions, trading and financial position of Chongqing Bangxing. Accordingly, the Directors believed that, as at the date of this report, it is almost impossible, and not practical, to ascertain the transactions of Chongqing Bangxing during the period from 1 July 2019 to the Date of Termination (the "Relevant Period"), such as the transactions with the local communities of plantations, the payments made to the local communities of plantations and the cultivation costs incurred in respect of the biological assets etc. during the Relevant Period for inclusion in the consolidation financial statements of the Group for the year ended 30 June 2020.

Due to insufficient financial information as mentioned above, the Directors were unable to ensure whether the consolidated financial statements for the year ended 30 June 2020 had been properly prepared in compliance with disclosures requirements under International Financial Reporting Standards ("IFRS(s)") issued by the International Accounting Standards Board (the "IASB"), Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") thereof.

2. BASIS OF PREPARATION *(Continued)*

(ii) Going concern basis

Particulars regarding to the Discontinued Operation during the year ended 30 June 2020 are disclosed in note 13.

During the year ended 30 June 2021, the Group reported a loss of RMB48,518,000 (2020: a profit of RMB315,416,000) and as at 30 June 2021, the Group had net current liabilities of RMB263,134,000 (2020: RM294,934,000) and a deficit of shareholders' equity attributable to owners of the Company of RMB236,585,000 (2020: RMB330,907,000). Further, as at 30 June 2021, the Group's borrowings, including borrowings and corporate bonds were RMB359,155,000 (RMB407,254,000). Out of which, as at 30 June 2021, an amount of RMB241,736,000 (2020: RMB 213,755,000) will fall due repayable within one year.

A bank (the "Bank") issued demand letters dated 15 April 2019 and 3 July 2020 and a Writ of Summons indorsed with a Statement of Claim dated 14 July 2020 to the Group relating to a loan granted to the Group. As at 30 June 2020, the outstanding loan balance and accrued interest due to the Bank were RMB15,309,000 (2020: RMB16,866,000) and RMB3,036,000 (2020: RMB1,953,000), respectively. The Directors are still negotiating with the Bank to restructure the loan and the accrued interest.

During the year, the Group's borrowings with an aggregate amount of RMB113,317,000 (2020: RMB 132,821,000) was overdue and/or in breaching the clauses of the respective agreements with the lenders and thus, such incidents may cause the relevant borrowings become immediately due and payable should the lenders exercise their rights under the respective agreements.

In addition, such overdue and/or in breaching of the clauses of the respective agreements also triggered the cross-default terms of the Group's corporate bonds of RMB39,569,000 (2020: RMB42,748,000) as at 30 June 2020, which may also cause these borrowings to become immediately due and payable should the lenders exercise their rights under the respective agreements.

All of the above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve the Group's financial position which include, but are not limited to, the following:

(i) The Group is still actively participating in the negotiations in respect of a potential restructuring of the Company's existing debts and liabilities with its lenders and creditors (the "Financing Reorganisation");

2. BASIS OF PREPARATION *(Continued)*

(ii) Going concern basis *(Continued)*

(ii) The Group continues to take active measures to control operation and administrative costs through various channels, including but not limited to (i) having production and human resources optimisation and adjustments, (ii) reorganising the structure to each segment and maintaining close communication with suppliers, customers and banks, etc. (iii) committing to soliciting for new customers and exploring overseas markets to support the substantiable development of principle business of the Group; and (iv) containment of capital expenditures etc. (the "Business and Operation Restructuring Plan"); and

(iii) The Group is still actively in the process of negotiating with various bank, other financial institutions, third parties and related parties to raise short-term and/or long-term financing to the Group (the "Additional Funding Plan").

The Directors have reviewed the Group's cash flow projections prepared by the management of the Company. The cash flow projections cover a period of not less than twelve months from 30 June 2021. They are of the opinion that, taking into account the above mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2021. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the following:

(i) Successful in the finalisation of the Financing Reorganisation with the lenders and creditors;

(ii) Successful in the Business and Operation Restructuring Plan;

(iii) Successful in the Additional Funding Plan;

(iv) Successful in the negotiation with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings in any breach of loan covenants or default, including those with cross-default terms; and

(v) Successful in obtaining of additional new sources of financing as and when needed.

Should the Group fail to achieve the above mentioned plans and measures, it might not be able to continue operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(s)")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the annual period beginning on or after 1 July 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendment to IFRS 16	Impact of Covid-19-Related Rent Concessions

Except as described below, the application of the *Amendments to References to the Conceptual Framework in IFRS Standards* and other amendments to IFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to IAS 1 and IAS 8 Definition of Material

The Group has applied the Amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(s)") *(Continued)*

Impacts on application of Amendments to IFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(s)") *(Continued)*

New and revised IFRS in issue but not yet effective

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

Amendments to IFRS 17	Insurance Contracts[1],
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendment to IFRS 16	Property, Plant and Equipment — Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to IFRS	Annual improvement to IFRSs 2018-2020 cycle[2]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendment to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021[5]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]

1 Effective for annual periods beginning on or after 1 January 2023.

2 Effective for annual periods beginning on or after 1 January 2022.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2021.

5 Effective for annual periods beginning on or after 1 April 2021.

The directors of the Company anticipate that the application of these new and revised IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

Other than the matters referred to note 2, the consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value-in-use in IAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equal the transaction price.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods and services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services to a customer. Specifically, the Group uses a five-step approach to recognise revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

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

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

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Sales of goods

Revenue from trading of goods and commodities are recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life.

Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

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

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Retirement benefit costs and termination benefits

Payments to defined contribution schemes including state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity-settled share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (capital reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to capital reserve.

When share options are exercised, the amount previously recognised in capital reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in capital reserve will be transferred to retained profits or accumulated losses, if applicable.

When shares granted are vested, the amount previously recognised in capital reserve will be transferred to share premium.

Shares held under the share award scheme

Own equity instruments which are reacquired (shares held under the share award scheme) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity. The number of shares held by the trustee under the share award scheme would be eliminated against the corresponding amount of share capital issued in the calculation of the earnings per share for profit attributable to owners of the Company.

When trustee of the share award scheme purchases the Company's shares from the open market, the consideration paid, including any directly attributable incremental costs, is presented as shares held for share award scheme and deducted from total equity. No gain or loss is recognised on the transactions of the Company's own shares.

The fair value of services received is determined by reference to the fair value of share award granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (shares held for share award reserve). When the trustee transfers the Company's granted shares to grantees upon vesting, the related costs of the granted shares vested are reversed from shares held for share award scheme. Accordingly, the related expense of the granted shares vested is reversed from shares held for share award reserve. The difference arising from such transfer is debited/credited to retained profits. At the end of the reporting period, the Group revises its estimates of the number of awarded shares that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss with a corresponding adjustment to the shares held for share award reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment, that are held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash- generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on property, plant and equipment and right-of-use assets *(Continued)*

Recoverable amount is the higher of fair value less costs of disposal or value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash- generating unit) for which the estimates of future cash flows have not been adjusted. The calculation of the fair value less cost of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. If there is no binding sale agreement or active market for that asset (or asset group), management will make reference to the best information available to reflect the amount that an entity could obtain at end of the reporting period.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value-in-use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or the group of cash-generating) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unitor a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Biological assets

Biological assets comprise oranges before harvested in leased orange farms and are classified as current assets due to short harvesting period.

Biological assets are stated at fair value less costs to sell from initial measurement up to the point of harvest, except where fair value cannot be measured reliably due to unavailability of market-determined prices and no reliable alternative estimates exist to determine fair value in which case the assets are held at cost less impairment losses (if any). Once the fair value becomes reliably measurable, the biological assets are measured at fair value less costs to sell. Where assets are held at fair value, changes in fair value are taken to the consolidated statement of profit or loss and other comprehensive income. Costs to sell include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Biological assets *(Continued)*

After harvesting, oranges are transferred to inventories as agricultural produce at their deemed cost which is fair value at the point of harvest less costs to sell. Fair value at the point of harvest is based on the selling prices for similar oranges prevailing in the market as at or close to the harvest dates.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest/dividend income which are derived from the Group's ordinary course of business are presented as revenue.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

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

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

Financial assets at FVTPL

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Amortised cost and interest income

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, cash and cash equivalents) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

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

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(i) Significant increase in credit risk *(Continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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

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

- Nature of financial instruments (i.e. the Group's trade and other receivables are assessed for expected credit losses on an individual basis);

- Past-due status;

- Nature, size and industry of debtors; and

- External credit ratings where available.

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

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs. Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is designated as at FVTPL.

A financial liability may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible bonds and corporate bonds, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits or accumulated losses upon derecognition of the financial liability.

Financial liabilities at amortised cost

Financial liabilities including borrowings, trade and other payables, lease liabilities, convertible bonds and others are subsequently measured at amortised cost, using the effective interest method.

Convertible bonds

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities and equity *(Continued)*

Derecognition/Substantial modification of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

When the contractual terms of a convertible instrument are modified, the revised terms would result in a substantial modification from the original terms, after taking into account all relevant facts and circumstances including qualitative factors, such modification is accounted for as derecognition of the original financial liability and the recognition of new financial liability. The difference between the carrying amount of financial liability derecognised and the fair value of consideration paid or payable, including any liabilities assumed and derivative components recognised, is recognised in profit or loss.

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities and equity *(Continued)*

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Warrants

Warrants issued by the Company that will be settled by other than a fixed amount of cash for a fixed number of the Company's own equity instruments are derivative financial instruments. Warrants classified as derivative financial instruments are recognised at their fair values at the date of issue. Changes in fair values in subsequent periods are recognised through profit or loss.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and at banks with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand and at banks as defined above.

Non-current assets held for sale and discontinued operations

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, which are classified as held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 4.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets constituting the discontinued operation.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

For the purposes of these financial statements, related parties include a person and entity as defined below:

(a) A person or a close member of that person's family is related to the Group if that person:

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

(ii) has significant influence over the Group; or

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

(b) An entity is related to the Group (reporting entity) if any of the following conditions applies:

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

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

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

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

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

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

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

Going concern and liquidity

As explained in note 2(ii), the consolidated financial statements have been prepared on a going concern basis and have not included any adjustments that would be required should the Group fail to continue as a going concern since the Directors are satisfied that the liquidity of the Group can be maintained in the coming year after taking into the considerations as detailed in note 2(ii). The Directors also believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements for the next twelve months from 30 June 2021.

Legal title of buildings

Despite the Group had paid the full purchase consideration for the buildings, formal titles of certain of the Group's rights to the use of the buildings were not yet granted from the relevant government authorities as stated in note 18. In the opinion of the Directors, the absence of formal titles to these buildings does not impair the value of the relevant properties to the Group.

Key sources of estimation uncertainty

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

Estimated impairment of property, plant and equipment and right-of-use assets

The Group regularly reviews whether there are any indications of impairment of property, plant and equipment and right-of-use assets and will recognise an impairment loss if the carrying amount of an asset is lower than its recoverable amount which is the higher of its fair value less cost of disposal (the market value) or its value-in-use. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing whether an event has occurred or any indicators that may affect the asset value.

The calculation of the fair value less cost of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. If there is no binding sale agreement or active market for that asset (or asset group), management will make reference to the best information available to reflect the amount that an entity could obtain at end of the reporting period. In determining the value-in-use, the Group assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate. The Group estimates the future cash flows based on certain assumptions, such as market competition and development and the expected growth in business.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Estimated impairment of property, plant and equipment and right-of-use assets *(Continued)*

Changes in these assumptions and estimates could have a material effect on the determination of the recoverable amounts of the assets. Where the actual results are less than expected, additional impairment losses, if any, may arise.

As at 30 June 2021, the carrying values and accumulated impairment losses recognised in respect of the Group's property, plant and equipment and right-of-use assets are disclosed in notes 18 and 19, respectively.

Provision of ECL for trade and other receivables

The Group uses provision matrix to calculate ECL for the trade and other receivables. The provision rates are based on past due record as groupings of various debtors that have similar loss patterns. In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are aging of the debtors as groupings of various debtors taking into consideration of the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade and other receivables with significant balances and credit impaired are assessed for ECL individually.

As at 30 June 2021, the provision of ECL is sensitive to changes in estimates. The information about the ECL for trade and other receivables are disclosed in notes 22 and 38.

Net realisable value of inventories

The management of the Group reviews the inventories listing on a product-by-product basis at end of the reporting period. The management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions and the historical experience of manufacturing and selling products of similar nature.

As at 30 June 2021, the net carrying value and accumulated impairment losses recognised in respect of the Group's inventories are disclosed in note 21.

6. REVENUE FROM CONTINUING OPERATIONS

Disaggregation of revenue from contracts with customers

During the year ended 30 June 2021, the Group is mainly engaged in the production and sale of FCOJ and other related products and Summi Fresh Orange Juice and other products and details of which are as follows:

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers from Continuing Operations		
Types of goods		
— Sale of FCOJ and other related products	**6,191**	15,685
— Sale of Summi Fresh Orange Juice and other products	**104,977**	35,308
Total	**111,168**	50,993
Timing of revenue recognition:		
— A point in time	**111,168**	50,993

6. REVENUE FROM CONTINUING OPERATIONS *(Continued)*

Disaggregation of revenue from contracts with customers *(Continued)*

For the year ended 30 June 2021

	FCOJ and other related products RMB'000	Summi Fresh Orange Juice and other products RMB'000	Total RMB'000
Revenue from contracts with customers from Continuing Operations			
Types of goods			
— FCOJ	6,191	—	6,191
— Summi Fresh Orange Juice	—	18,116	18,116
— Summi brand products	—	57,909	57,909
— Other products	—	28,952	28,952
Total	6,191	104,977	111,168
Geographical markets			
— South East Asia	—	86,861	86,861
— Mainland China	6,191	17,215	23,406
— Hong Kong	—	901	901
	6,191	104,977	111,168
Timing of revenue recognition:			
— A point in time	6,191	104,977	111,168
Sales channel/type of customer:			
— Food and beverages manufacturers	6,191	—	6,191
— Wholesale and distributors	—	86,861	86,861
— Retail	—	17,748	17,748
— Restaurants	—	368	368
	6,191	104,977	111,168

6. REVENUE FROM CONTINUING OPERATIONS *(Continued)*

Disaggregation of revenue from contracts with customers *(Continued)*

For the year ended 30 June 2020

	FCOJ and other related products RMB'000	Summi Fresh Orange Juice and other products RMB'000	Total RMB'000
Revenue from contracts with customers from Continuing Operations			
Types of goods			
— FCOJ	15,685	—	15,685
— Summi Fresh Orange Juice	—	7,800	7,800
— Other products	—	27,508	27,508
Total	15,685	35,308	50,993
Geographical markets			
— South East Asia	—	27,508	27,508
— Mainland China	15,685	6,669	22,354
— Hong Kong	—	1,131	1,131
	15,685	35,308	50,993
Timing of revenue recognition:			
— A point in time	15,685	35,308	50,993
Sales channel/type of customer:			
— Food and beverages manufacturers	15,685	—	15,685
— Wholesale and distributors	—	31,290	31,290
— Retail customers	—	4,018	4,018
	15,685	35,308	50,993

Sale of FCOJ and other related products

The Group sells FCOJ and other related products to the food and beverages manufacturers. Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location.

6. REVENUE FROM CONTINUING OPERATIONS *(Continued)*

Disaggregation of revenue from contracts with customers *(Continued)*

Sale of Summi Fresh Orange Juice and other products

The Group sells Summi Fresh Orange Juice and other products to the (i) wholesale and distributors; (ii) retail; and (iii) restaurants.

For sales of Summi Fresh Orange Juice and other products to the wholesale and distributors, revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customers' specific location. Following the delivery, the wholesaler and distributors have full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods.

For sales of Summi Fresh Orange Juice and other products to the retail and restaurants, revenue is recognised when the goods have been delivered to the customers and the control of the goods has been transferred, being at the point the customer purchases the goods.

All revenue contracts are for period of one year or less. As permitted by IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

7. OPERATING SEGMENTS FROM CONTINUING OPERATIONS

The Group determines its operating segments based on the information reported to the chief operating decision maker, being the 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.

As explained in notes 1 and 2(i), the Group previously divided the business into three segments: (1) Plantation and Sale of Agricultural Produce Business segment; (2) Production and Sale of FCOJ and Other Related Products Business segment; and (3) Product and Sale of Summi Fresh Orange Juice Business and Other Products segment. In prior years, the Company decided to cease and terminate its Plantation and Sale of Agricultural Produce Business segment and thus such business segment was classified as Discontinued Operation and their net results since then were excluded from the Continuing Operations as one-line item below net loss of the Continuing Operations. Further details of financial information of the Discontinued Operation are set out in note 13. Subsequently, the Group continues to be engaged in the Continuing Operations, comprising Production and Sale of FCOJ and Other Related Products Business and Product and Sale of Summi Fresh Orange Juice and Other Products Business.

7. OPERATING SEGMENTS FROM CONTINUING OPERATIONS *(Continued)*

The following is an analysis of the Group's revenue, results, assets and liabilities by reportable and operating segments are as follows:

Segment revenue and results

	Production and Sale of FCOJ and Other Related Products Business RMB'000	Production and Sale of Summi Fresh Orange Juice and Other Products Business RMB'000	Total RMB'000
For the year ended 30 June 2021			
Segment revenue			
Continuing Operations			
— Sales to external customers	6,191	104,977	111,168
— Inter-segment sales	1,208	4,085	5,293
Segment revenue	7,399	109,062	116,461
Elimination			(5,293)
Consolidated revenue from Continuing Operations			111,168
Segment results	17,608	(38,004)	(20,396)
Unallocated losses			(381)
Changes in fair values			13,676
Corporate and other unallocated expenses			(10,926)
Finance costs			(30,491)
Loss before tax from Continuing Operations			(48,518)

7. OPERATING SEGMENTS FROM CONTINUING OPERATIONS *(Continued)*

Segment revenue and results *(Continued)*

	Production and Sale of FCOJ and Other Related Products Business RMB'000	Production and Sale of Summi Fresh Orange Juice and Other Products Business RMB'000	Total RMB'000
For the year ended 30 June 2020			
Segment revenue			
Continuing Operations			
— Sales to external customers	15,685	35,308	50,993
— Inter-segment sales	3,519	2,937	6,456
Segment revenue	19,204	38,245	57,449
Elimination			(6,456)
Consolidated revenue from Continuing Operations			50,993
Segment results	(5,725)	(19,876)	(25,601)
Unallocated gains			190
Gain from loan settlement agreement			372,125
Changes in fair values			18,621
Corporate and other unallocated expenses			(3,898)
Finance costs			(46,020)
Profit before tax from Continuing Operations			315,417

7. OPERATING SEGMENTS FROM CONTINUING OPERATIONS *(Continued)*

Segment assets and liabilities

	Production and Sale of FCOJ and Other Related Products Business RMB'000	Production and Sale of Summi Fresh Orange Juice and Other Products Business RMB'000	Total RMB'000
As at 30 June 2021			
Assets and liabilities			
Segment assets	70,845	83,096	153,941
Corporate and other unallocated assets			23,343
Total assets			177,284
Segment liabilities	5,791	1,575	7,366
Corporate and other unallocated liabilities			406,661
Total liabilities			414,027

7. OPERATING SEGMENTS FROM CONTINUING OPERATIONS *(Continued)*

Segment assets and liabilities *(Continued)*

	Production and Sale of FCOJ and Other Related Products Business RMB'000	Production and Sale of Summi Fresh Orange Juice and Other Products Business RMB'000	Total RMB'000
As at 30 June 2020			
Assets and liabilities			
Segment assets	84,820	97,583	182,403
Corporate and other unallocated assets			7,943
Total assets			190,346
Segment liabilities	6,096	7,507	13,603
Corporate and other unallocated liabilities			507,650
Total liabilities			521,253

The accounting policies of the operating segments are identical to the Group's accounting policies as described in note 4. Segment results represent the profit earned by (loss from) each segment without allocation of certain central administration costs, director's remuneration, certain other income, changes in fair values, gain from loan settlement agreement 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 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 corporate bonds, convertible bonds, certain lease liabilities, borrowings, derivative financial instruments, 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.

7. OPERATING SEGMENTS FROM CONTINUING OPERATIONS *(Continued)*

Other segment information from Continuing Operations

	Production and Sale of FCOJ and Other Related Products Business RMB'000	Production and Sale of Summi Fresh Orange Juice and Other Products Business RMB'000	Unallocated RMB'000	Total RMB'000
For the year ended 30 June 2021				
Amounts included in the measure of segment profit or loss or segment assets:				
Depreciation	7,658	12,125	74	19,857
Additions to non-current assets	29	329	22	380
(Reversal of) impairment losses recognised in respect of				
— Property, plant and equipment	(2,600)	(3,500)	—	(6,100)
— Inventories	2,675	5,403	—	8,078
Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or loss assets:				
Bank interest income	—	—	49	49
Gains on disposals of property, plant and equipment	4	20	—	24
Finance costs	—	—	30,491	30,491

7. OPERATING SEGMENTS FROM CONTINUING OPERATIONS *(Continued)*

Other segment information from Continuing Operations

	Production and Sale of FCOJ and Other Related Products Business RMB'000	Production and Sale of Summi Fresh Orange Juice and Other Products Business RMB'000	Unallocated RMB'000	Total RMB'000
For the year ended 30 June 2020				
Amounts included in the measure of segment profit or loss or segment assets:				
Depreciation	11,354	12,042	155	23,551
Additions to non-current assets	6,058	1,215	11	7,284
Write-off of				
— Inventories	2,258	—	—	2,258
(Reversal of) Impairment losses recognised in respect of				
— Property, plant and equipment	(1,682)	(111)	—	(1,793)
— Trade receivables	—	(817)	—	(817)
— Inventories	(8,867)	2,994	—	(5,873)
Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or loss assets:				
Bank interest income	—	—	213	213
Changes in fair values	—	—	18,621	18,621
Gain from loan settlement agreement	—	—	372,125	372,125
Finance costs	—	—	46,020	46,020

7. OPERATING SEGMENTS FROM CONTINUING OPERATIONS *(Continued)*

Geographical information

The Group's operations are located in the People's Republic of China (the "PRC"), Hong Kong and South East Asia.

Information about the Group's revenue from Continuing Operations from external customers is presented based on the location of operations. Information about the Group's non-current assets is presented based on the geographical location of the assets and details are as follows:

	2021 RMB'000	2020 RMB'000
Revenue arising from Continuing Operations:		
Mainland China	**901**	22,354
Hong Kong	**23,406**	1,131
South East Asia	**86,861**	27,508
	111,168	50,993

	2021 RMB'000	2020 RMB'000
Non-current assets from Continuing Operations:		
Mainland China and South East Asia	**145,421**	159,038
Hong Kong	**296**	236
	145,717	159,274

Revenue from major products from Continuing Operations

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

	2021 RMB'000	2020 RMB'000
Sale of FCOJ and other related products	**76,025**	15,685
Sale of Summi fresh orange juice and other products	**35,143**	35,308
	111,168	50,993

7. OPERATING SEGMENTS FROM CONTINUING OPERATIONS *(Continued)*

Information about major customers from Continuing Operations

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

	2021 **RMB'000**	2020 RMB'000
Customer A[1]	**57,909**	—
Customer B[2 and 3]	**15,821**	—
Customer C[3 and 4]	**14,834**	—
Customer D[4]	**12,464**	18,092
Customer E[3 and 5]	—	13,709
Customer F[1 and 5]	—	6,604

1 Revenue from Production and Sale of Summi Fresh Orange Juice and Other Products Business segment.

2 Revenue from Production and Sale of Summi Fresh Orange Juice and Other Products Business segment. The customer is controlled and beneficially owned by a director of the Group.

3 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

4 Revenue from Production and Sale of Summi Fresh Orange Juice and Other Products Business segment. The Customers are controlled by and beneficially owned by a director of a subsidiary of the Company.

5 Revenue from Production and Sale of FCOJ and Other Related Products Business segment.

8. OTHER INCOME FROM CONTINUING OPERATIONS

	2021 RMB'000	2020 RMB'000
Bank interest income	**49**	213
Government grants		
— PRC (notes (i) and (iii) below)	**2,396**	5,230
— Hong Kong (notes (ii) and (iii) below)	**146**	—
Gain on disposals of property, plant and equipment	**24**	—
Others	**1,179**	581
	3,794	6,024

Notes:

(i) Out of which, an amount of RMB1,180,000 represented deferred income that was amortised during the year ended 30 June 2020, which was granted in respect of supporting the Group's investment in a FCOJ production plant (note 30). In view of the deferred income was fully amortised in prior years and thus, nil amount was credited to profit or loss for the year ended 30 June 2021.

(ii) During the current year, the Group recognised government grants of RMB146,000 in respect of Covid-19-related subsidies, of which RMB115,000 relates to Employment Support Scheme and RMB31,000 relates to Distance Business Programme provided by the Hong Kong Government.

(iii) During the year ended 30 June 2021, government grant of approximately RMB2,542,000 (2020: RMB4,050,000, excluding the amortisation of deferred income of RMB1,180,000) was immediately recognised as other income for the year as there was no unfulfilled condition or contingencies relating to this subsidy.

9. GAIN FROM THE LOAN SETTLEMENT AGREEMENT

	2021 RMB'000	2020 RMB'000
Gain from the loan settlement agreement	—	372,125

On 9 December 2019, the Company entered into a loan settlement agreement (the "Loan Settlement Agreement") with certain banks (the "Loan Settlement Banks") and pursuant to which, the Loan Settlements Banks agreed to waive partial of their respective amounts of outstanding liabilities payable by the Company to the settlement balances (the "Loans Waiver"). Pursuant to the Loan Settlement Agreement, the amounts to be repaid by the Company to the Loan Settlement Banks will be approximately US$20.49 million and the related loan settlement expenses. Upon full settlement, the Loan Settlement Banks agreed to discharge all of the Company's obligations and indebtedness in relation to their respective parts of outstanding liabilities and the total remaining outstanding amounts of the Group's related bank borrowing of approximately USD73 million. Accordingly, a gain relating to the Loan Settlement Agreement of RMB372,125,000 was recognised during the year ended 30 June 2020, being calculated as follows:

	RMB'000
Outstanding liabilities pursuant to the Loan Settlement Agreement:	
— Outstanding principal amount	482,348
— Accrued interest expenses	33,998
Total outstanding liabilities balances pursuant to the Loans Waiver	516,346
Loan settlement expenses	2,147
Total balances pursuant to the Loans Waiver	518,493
Cash payment to the Loan Settlement Banks	(146,368)
Liabilities discharged pursuant to the Loans Waiver	372,125

Details of the above are set out in Company's announcement dated 9 December 2019.

The Group did not have any gain from loan settlement agreement during the year ended 30 June 2021.

10. FINANCE COSTS FROM CONTINUING OPERATIONS

	2021	2020
	RMB'000	RMB'000
Interest expenses on corporate bonds	**14,406**	6,475
Interest expenses on Convertible Bonds	**3,767**	2,905
Interest expenses on bank and other loans	**11,478**	34,293
Imputed interest expenses	**788**	2,340
Interest on lease liabilities	**52**	7
	30,491	46,020

11. LOSS (PROFIT) BEFORE TAX FROM CONTINUING OPERATIONS

Loss (profit) before tax from Continuing Operations has been arrived at after charging (crediting):

	2021 RMB'000	2020 RMB'000
Changes in fair values in respect of:		
— Corporate bonds (note 26)	—	4,068
— Derivative financial instruments of the Warrants (note 27)	8,897	307
— Derivative component of the Convertible Bonds (note 29)	4,779	11,406
— Debt component of the Convertible Bonds (note 29)	—	2,840
Total changes in fair values	13,676	18,621
Staff costs, including Directors' and chief executive's remuneration		
— Wages, salaries and other benefits	8,968	11,886
— Performance related bonuses	—	—
— Contributions to defined contribution plans	689	602
— Redundancy costs (note below)	—	586
	9,657	13,074
Reversal of impairment losses in respect of:		
— Property, plant and equipment	6,100	1,793
— Trade receivables	—	817
Total reversal of impairment losses	6,100	2,610
Cost of inventories recognised as an expense, including:	106,937	43,266
— (Reversal of) impairment losses recognised in respect of inventories	8,078	(5,873)
— Write-off of inventories	—	2,258
Depreciation on:		
— Property, plant and equipment	19,098	22,803
— Right-of-use assets	759	748
Total depreciation	19,857	23,551

11. LOSS (PROFIT) BEFORE TAX FROM CONTINUING OPERATIONS *(Continued)*

	2021 RMB'000	2020 RMB'000
Others:		
Auditor's remuneration	**1,280**	902
Net foreign exchange losses	**468**	239
Short-term leases expenses	**320**	17

Note: The Directors reviewed the operation and businesses of the Group and owning to human resources optimisation, staff redundancy cost of RMB586,000 was incurred during the year ended 30 June 2020. The Group did not have such staff redundancy costs during the year ended 30 June 2021.

12. INCOME TAX EXPENSE FROM CONTINUING OPERATIONS

	2021 RMB'000	2020 RMB'000
Income tax expense	**—**	—

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

No provision has been made for Hong Kong Profits Tax as there are no assessable profits generated for both years.

The provision for PRC EIT is based on the respective applicable rates on the estimated assessable profit 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.

The applicable income tax rate for the rest of the Group's operating subsidiaries in the PRC is 25% for both years.

No provision has been made for PRC EIT as there are no assessable profits generated for both years.

Income tax for the Group's Malaysia operations is calculated at the rate of 24% on the estimated assessable profit derived from Malaysia for both years.

No provision has been made for Malaysia income tax as there are no assessable profits generated for both years.

12. INCOME TAX EXPENSE FROM CONTINUING OPERATIONS *(Continued)*

The income tax for the year can be reconciled to the (loss) profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 **RMB'000**	2020 RMB'000
(Loss) profit before tax from Continuing Operations	**(48,518)**	315,417
Tax at the domestic income tax rate	**(10,030)**	48,766
Tax effect of non-deductible expenses	**6,070**	6,083
Tax effect of non-taxable income	**(2,274)**	(64,524)
Tax effect of tax losses not recognised	**6,234**	9,675
Income tax expense from Continuing Operations	**—**	—

Details of deferred tax are set out in note 28.

13. DISCONTINUED OPERATION FROM PLANTATION AND SALE OF AGRICULTURAL PRODUCT BUSINESS

As described in note 2(i), during the year ended 30 June 2019, the management of the Company decided to cease and discontinue the Plantation and Sale of Agricultural Produce Business segment through Chongqing Bangxing.

The loss for the period from 1 July 2019 to the Date of Deregistration (i.e. the Relevant Period) attributable to the Discontinued Operation in respect of the Plantation and Sale of Agricultural Produce Business segment was set out as below.

	1 July 2019 to the Date of Deregistration RMB'000
Loss for the period from Discontinued Operation	(1)

13. DISCONTINUED OPERATION FROM PLANTATION AND SALE OF AGRICULTURAL PRODUCT BUSINESS *(Continued)*

The results of the Discontinued Operation for the period from 1 July 2019 to the Date of Deregistration, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	1 July 2019 to the Date of Deregistration RMB'000
Revenue	—
Loss from changes in fair value of biological assets less costs to sell	—
Administrative expenses	(1)
Impairment loss in respect of lease prepayments for orange plantations	—
Loss before tax	(1)
Income tax expense	—
Loss for the period from Discontinued Operation	(1)

Loss for the period from Discontinued Operation include the following:

	1 July 2019 to the Date of Deregistration RMB'000
Staff costs, including Directors' and chief executive's remuneration	
— Wages, salaries and other benefits	—
— Contributions to defined contribution plans	—
Others:	
Auditor's remuneration	—
Impairment loss in respect of lease prepayments for orange plantations	—
Loss from changes in fair value of biological assets less costs to sell	—

13. DISCONTINUED OPERATION FROM PLANTATION AND SALE OF AGRICULTURAL PRODUCT BUSINESS *(Continued)*

The cash flow of the Discontinued Operation for the period from 1 July 2019 to the Date of Deregistration, which have been included in the consolidated statement of cash flow, were as follows:

	1 July 2019 to the Date of Deregistration RMB'000
Net cash outflows from operating activities	(1)
Net cash outflows from investing activities	—
Net cash (outflows) inflows from financing activities	(20)
Net cash outflows	(21)

Subsequent to the deregistration of Chongqing Bangxing on 4 November 2019, the Chongqing Bangxing did not have any significant outstanding assets and liabilities.

During the Relevant Period, all of the Chongqing Bangxing's revenue, expenses, assets and liabilities are derived from external customers and operations based in the PRC and accordingly, no further analysis of the Group's geographical information was disclosed.

As explained in note 2(i), because of the loss of certain accounting records and documents of Chongqing Bangxing and the fact that the Group was unable to contact certain former key personnel and management of the Group who were previously responsible to the operations and businesses of Chongqing Bangxing, the Directors consider that the historical information of Chongqing Bangxing may not be complete and sufficient to establish an accurate and reliable view of the historical transactions, trading and financial position of Chongqing Bangxing. Accordingly, the Directors believe that, as at the date of this report, it is almost impossible, and not practical, to ascertain the transactions during the Relevant Period of Chongqing Bangxing, such as the transactions with the local communities of plantations, the payments made to the local communities of plantations and the cultivation costs incurred in respect of the biological assets etc. during the Relevant Period for inclusion in the consolidation financial statements of the Group for the year ended 30 June 2020.

14. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

For the year ended 30 June 2021

	Executive Directors		Independent Non-executive Directors			Chief executive officer	
	Wu Shaohao RMB'000	Wu Liantao RMB'000	Kway Sai Hing RMB'000	Ma Chi Kin RMB'000	Chen Ying RMB'000	Hu Ming Yue (note) RMB'000	Total RMB'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings							
Fee	—	—	99	99	99	248	545
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings							
Wages, salaries and other benefits	—	—	—	—	—	—	—
Discretionary bonuses and performance incentive payments	—	—	—	—	—	—	—
Other emoluments	—	—	—	—	—	—	—
Contributions to defined contribution plans	—	—	—	—	—	—	—
Equity-settled share-based payment expenses	—	—	—	—	—	—	—
	—	—	—	—	—	—	—
Total emoluments	—	—	99	99	99	248	545

Note: Ms. Hu. Mingyue, who is the deputy chief executive officer of the Company since 2 January 2019, has been promoted as the chief executive officer of the Company with effect from 1 February 2021.

14. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS *(Continued)*

For the year ended 30 June 2020

	Executive Directors		Independent Non-executive Directors			
	Wu Shaohao RMB'000	Wu Liantao RMB'000	Kway Sai Hing RMB'000	Ma Chi Kin RMB'000	Chen Ying RMB'000	Total RMB'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings						
Fee	—	—	108	108	108	324
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings						
Wages, salaries and other benefits	—	—	—	—	—	—
Discretionary bonuses and performance incentive payments						
Other emoluments	—	—	—	—	—	—
Contributions to defined contribution plans	—	—	—	—	—	—
Equity-settled share-based payment expenses	—	—	—	—	—	—
	—	—	—	—	—	—
Total emoluments	—	—	108	108	108	324

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the years ended 30 June 2021 and 2020.

During the years ended 30 June 2021 and 2020, no remuneration was paid by the Group to the Directors and the chief executive as an inducement to join or upon joining the Group or as compensation for loss of office.

The remunerations of Directors and the chief executive were determined by the remuneration committee having regard to the performance of individuals and market trends.

15. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals in the Group both years did not include director and chief executive officer whose emoluments are reflected in the analysis presented in note 14. The emoluments of the four individuals (2020: five individuals) are set out below:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	1,723	1,926
Discretionary bonuses and performance incentive payments	—	—
Equity-settled share-base payment expenses	—	—
Contribution to defined contribution plans	50	53
	1,773	1,979

The number of the highest paid employees who are not the Directors whose remuneration fell within the following bands is as follows:

	2021 No. of employees	2020 No. of employees
Nil to HK$1,000,000 (equivalent to nil to RMB853,000) (2020: equivalent to nil to RMB902,000)	4	5
HK$1,000,001 to HK$1,500,000 (equivalent to RMB853,000 to RMB1,280,000) (2020: equivalent to RMB902,001 to RMB1,353,000)	—	—
HK$1,500,001 to HK$3,000,000 (equivalent to RMB1,280,000 to RMB2,559,000) (2020: equivalent to RMB1,353,001 to RMB2,706,000)	—	—
	4	5

During the years ended 30 June 2021 and 2020, no remuneration was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

16. DIVIDENDS

	2021 RMB'000	2020 RMB'000
Dividends recognised as distribution and paid during the year	—	—

The Directors do not recommend the payment of any dividend for the years ended 30 June 2021 and 30 June 2020.

17. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted (loss) earnings per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	2021 RMB'000	2020 RMB'000
(Loss) earnings per share from continuing and discontinued operations		
(Loss) profit for the year from continuing and discontinued operations attributable to the owners of the Company	**(48,360)**	315,417
Less: Loss for the year from Discontinued Operations	—	(1)
(Loss) earnings for the purpose of basic earnings per share from Continuing Operations	**(48,360)**	315,416
Effect of dilutive potential ordinary shares:		
— Interest on Convertible Bonds	—	2,905
(Loss) earnings for the purpose of diluted earnings per share from Continuing Operations	**(48,360)**	318,321

17. (LOSS) EARNINGS PER SHARE *(Continued)*

From continuing and discontinued operations *(Continued)*

	2021 Number of shares	2020 Number of shares
	(thousands of shares)	
Weighted average number of ordinary shares in issue less shares held under the share option and share award schemes for the purpose of basic (loss) earnings per share	**1,708,243**	1,347,861
Effect of dilutive potential ordinary shares:		
— Deemed issue of shares under the Company's share option scheme	**—**	—
— Warrants	**—**	—
— Convertible Bonds	**—**	134,070
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**1,708,243**	1,481,931

The computation of diluted (loss) earnings per share for the years ended 30 June 2020 does not assume the exercise of the Company's Warrants and share options because the exercise price of those Warrants and share options were higher than the average market price for shares.

As there is no outstanding Warrants, share options and Convertible Bonds as at 30 June 2021, no diluted loss per share was presented for the year ended 30 June 2021.

From Continuing Operations

The calculation of the basic and diluted (loss) earnings per share from Continuing Operations attributable to the owners of the Company is based on the following data:

	2021 RMB'000	2020 RMB'000
(Loss) earnings per share from Continuing Operations		
(Loss) profit for the year from continuing and discontinued operations attributable to the owners of the Company for the purpose of basic and diluted (loss) earnings per share	**(48,360)**	315,417
Less: Loss for the year from Discontinued Operation	**—**	(1)
(Loss) profit for the year from Continuing Operations attributable to the owners of the Company for the purpose of basic and diluted loss per share	**(48,360)**	315,416

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

17. (LOSS) EARNINGS PER SHARE *(Continued)*

From Discontinued Operation

Basic and diluted loss per share for the Discontinued Operation is insignificant for year end 30 June 2020, based on the loss for the year from the Discontinued Operation of RMB1,000 (2021: nil).

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

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fittings and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 July 2019	240,139	299,142	2,895	5,956	1,395	549,527
Exchange realignment	—	—	39	16	—	55
Additions	—	73	355	—	6,058	6,486
At 30 June 2020 and 1 July 2020	240,139	299,215	3,289	5,972	7,453	556,068
Additions	—	18	22	—	11	51
Transfers from (to) construction in progress	—	7,464	—	—	(7,464)	—
Disposals	—	(1,313)	(2)	(1,931)	—	(3,246)
Exchange realignment	—	—	(101)	(41)	—	(142)
At 30 June 2021	240,139	305,384	3,208	4,000	—	552,731
Accumulated depreciation and impairment						
At 1 July 2019	169,960	219,711	2,628	5,244	—	397,543
Provided for the year	6,054	16,225	188	336	—	22,803
Impairment loss reversed	(1,793)	—	—	—	—	(1,793)
Exchange realignment	—	—	31	16	—	47
At 30 June 2020 and 1 July 2020	174,221	235,936	2,847	5,596	—	418,600
Provided for the year	6,054	12,766	219	59	—	19,098
Impairment loss reversed	(6,100)	—	—	—	—	(6,100)
Eliminated on disposals	—	(1,247)	(1)	(1,834)	—	(3,082)
Exchange realignment	—	—	(91)	(41)	—	(132)
At 30 June 2021	174,175	247,455	2,974	3,780	—	428,384
Carrying amounts						
At 30 June 2021	65,964	57,929	234	220	—	124,347
At 30 June 2020	65,918	63,279	442	376	7,453	137,468

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment, except for construction in progress, are depreciated at the following rates per annum on a straight-line basis:

Buildings	2.5% to 6.67%
Plant and machinery	5% to 20%
Furniture, fittings and equipment	20% to 33%
Motor vehicles	10% to 20%

All of the Group's buildings are located in the PRC and situated on lands which are held under medium-term lease.

At 30 June 2021, the Group has not obtained the building ownership certificate for buildings with carrying value of approximately RMB2,807,000 (2020: RMB3,120,000) from the relevant PRC government authorities. In the opinion of the Directors, the absence of formal titles to these properties does not impair their values to the Group as the Group has paid in full purchase consideration of these buildings and the probability of being evicted on the ground of an absence of formal title is remote.

At 30 June 2021, the carrying value of the Group's property, plant and equipment of approximately RMB50,108,000 (2020: RMB54,333,000) was pledged as security for the Group's borrowings and details of which are set out in note 25.

The Group' property, plant and equipment are mainly used in both Production and Sale of FCOJ Business and Other Related Products Business segment and Product and Sale of Summi Fresh Orange Juice and Other Products Business segment.

The recoverable amounts of the buildings for impairment assessment were determined based on the market approach. The market approach uses prices and other relevant information generated by market comparable transactions involving comparable buildings.

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Below is a summary of the value technique used and the key inputs to the valuation of the Group's buildings that are comparable transactions prices nearby the Group's buildings for the impairment assessment at end of the reporting period:

Particulars	Valuation techniques	Significant unobservable input(s)
Two buildings located in Chongqing	Market comparison approach	Market unit rate, taking into account the recent comparable transactions for similar buildings adjusted for nature, location and conditions of the buildings, which ranged from RMB1,088 to RMB1,900 (2020: RMB817 to RMB1,723) per square meter ("sqm").
One building located in Fujian Quanzhou	Market comparison approach	Market unit rate, taking into account the recent comparable transactions for similar buildings adjusted for nature, location and conditions of the building, which ranged from RMB1,167 to RMB2,423 (2020: RMB1,330 to RMB2,119) per sqm.
One building located in Fujian Sanming	Market comparison approach	Market unit rate, taking into account the recent comparable transactions for similar buildings adjusted for nature, location and conditions of the building, which ranged from RMB1,203 to RMB1,893 (2020: RMB956 to RMB2,380) per sqm.
One building located in Hunan Huaihua Oujin	Market comparison approach	Market unit rate, taking into account the recent comparable transactions for similar buildings adjusted for nature, location and conditions of the building, which ranged from RMB1,150 to RMB2,882 (2020: RMB1,867 to RMB2,560) per sqm.

An increase in the transaction prices would result in an increase in recoverable amount measurement of the buildings, and vice versa.

During the year ended 30 June 2021, based on the impairment assessment, a reversal of impairment loss of RMB6,100,000 (2020: RMB1,793,000) was credited to the consolidated statement of profit or loss due to the increase of the market value of the buildings.

Particulars regarding the impairment assessment are set out in note 20.

The fair value measurement hierarchy of such impairment assessment of property, plant and equipment requires certain significant unobservable inputs (Level 3 fair value measurements).

19. LEASES

(i) Right-of-use assets

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
Carrying amounts			
At 30 June 2021	21,095	275	21,370
Carrying amounts			
At 30 June 2020	21,677	129	21,806

	2021 RMB	2020 RMB
Depreciation	**759**	748
Expense relating to short-term leases and other leases with lease terms end within 12 months	**7**	17
Total cash outflow for leases	**177**	497
Additions to right-of-use assets	**329**	798

For both years, the Group leases various properties for its operations. Lease contracts are entered into for fixed term of one to three years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

At 30 June 2021, the carrying value of the Group's right-of-use assets of approximately RMB6,943,000 (2020: RMB7,124,000) were pledged as security for the banking facilities granted to the Group as set out in note 25.

The Group regularly entered into short-term leases for staff quarters and warehouse. As at 30 June 2021 and 30 June 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

19. LEASES *(Continued)*

(i) Right-of-use assets *(Continued)*

Below is a summary of the value technique used and the key inputs to the valuation of the Group's leasehold lands that are comparable transactions nearby the Group's leasehold lands for the impairment assessment at the end of the reporting period:

Particulars	Valuation techniques	Significant unobservable input(s)
Two leasehold lands located in Chongqing	Market comparison approach	Market unit rate, taking into account the recent comparable transactions for similar land adjusted for nature, location and conditions of the land, which ranged from RMB100 to RMB184 (2020: RMB135 to RMB162) per sqm.
Two leasehold land located in Fujian Quanzhou	Market comparison approach	Market unit rate, taking into account the recent comparable transactions for similar land adjusted for nature, location and conditions of the land, which ranged from RMB199 to RMB265 (2020: RMB87 to RMB376) per sqm.
One leasehold land located in Fujian Sanming	Market comparison approach	Market unit rate, taking into account the recent comparable transactions for similar land adjusted for nature, location and conditions of the land, which ranged from RMB47 to RMB111 (2020: RMB31 to RMB102) per sqm.
One leasehold land located in Hunan Huaihua Oujin	Market comparison approach	Market unit rate, taking into account the recent comparable transactions for similar land adjusted for nature, location and conditions of the land, which ranged from RMB236 to RMB284 (2020: RMB195 to RMB352) per sqm.
One leasehold land located in Hunan HuaiHua Chenzhou	Value-in-use calculation	— Discount rate of 16% (2020: 17%) — The cash flows beyond five years period are extrapolated using a steady annual growth rate of 3% at end of each year

An increase in the transaction prices and decrease in discount rate would result in an increase in recoverable amount measurement of the leasehold lands, and vice versa.

Based on the above valuation, in view of the recoverable amounts of the right-of-use assets are higher than their carrying amounts and thus, no impairment losses were recognised for the year ended 30 June 2021 and 2020.

Particulars regarding the impairment assessment are set out in note 20.

The fair value measurement hierarchy of such impairment assessment of right-of-use assets on leasehold lands requires certain significant unobservable inputs (Level 3 fair value measurements).

19. LEASES *(Continued)*

(ii) Lease liabilities

Details of the lease maturity analysis of lease liabilities are set out below.

	2021 RMB'000	2020 RMB'000
Amount analysed as:		
— Non-current	**657**	498
— Current	**163**	131
	820	629

Amount payables under lease liabilities:

	2021 RMB'000	2020 RMB'000
Within one year	**163**	131
Within a period of more than two years but not more than five years	**174**	217
More than five years	**483**	281
	820	629
Less: Amount due for settlement with 12 months shown under current liabilities	**(163)**	(131)
Amount due for settlement after 12 months shown under non-current liabilities	**657**	498

As at 30 June 2021, lease obligations that are denominated in Hong Kong dollars are RMB163,000 (2020: RMB131,000).

During the year ended 30 June 2021, the Group entered into a new lease in respect of leasehold property and recognised lease liabilities of RMB329,000 (2020: RMB798,000).

20. IMPAIRMENT ASSESSMENTS

Impairment of property, plant and equipment and right-of-use assets

The Group assesses whether there are any indicators of impairment for property, plant and equipment and right-of-use assets in accordance with the accounting policies in note 4. An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal (i.e. market value) or its value in use. The calculation of the fair value less cost of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. If there is no binding sale agreement or active market for that asset (or asset group), management will make reference to the best information available to reflect the amount that an entity could obtain at end of the reporting period.

When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. These value-in-use calculations require the use of considerable judgments, estimates and assumptions. Changes in these assumptions and estimates could have a material effect on the determination of the recoverable amounts of the assets.

As at 30 June 2021, the directors of the Company conducted an impairment assessment of the Group's property, plant and equipment and rights-of-use assets mainly with reference to a professional valuation performed by International Valuation Limited ("IVL"), an independent professional valuer not connected with the Group based on market approach and value in use calculation by comparing the carrying amounts and the recoverable amounts of the property, plant and equipment and rights-of-use assets.

Based on the assessment, an impairment loss of RMB6,100,000 was reversed (2020: impairment loss of RMB1,793,000 was reversed) in respect of the Group's property, plant and equipment for the year ended 30 June 2021. No impairment loss was recognised in respect of the Group's right-of-use assets during the year ended 30 June 2021 (2020: nil).

21. INVENTORIES

	2021 RMB'000	2020 RMB'000
FCOJ	**15,575**	18,598
Summi fresh orange juice	**11,394**	10,916
Consumables and packing materials	**1,712**	1,338
Others	**115**	30
	28,796	30,882
Less: Impairments	**(23,137)**	(15,059)
	5,659	15,823

22. TRADE AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables (note (i) below)	**2,587**	2,629
Less: Allowance for credit losses	**—**	—
	2,587	2,629
Other receivables	**618**	3,006
Less: Allowance for credit losses	**—**	—
	618	3,006
Others		
— Security deposit (note (ii) below)	**8,228**	—
— Tender deposit (note (iii) below)	**8,325**	—
— Rental deposits (note (iv) below)	**—**	—
— Deposit related to claim from a former employee (note 36)	**828**	912
— Other deposits	**743**	267
— Prepayments	**809**	1,593
	18,933	2,772
Less: Allowance for credit losses	**—**	—
	18,933	2,772
Total trade and other receivables	**22,138**	8,407

Notes:

(i) Trade receivables

Included in trade receivables of RMB1,821,800 (2020: RMB1,821,800) was amount due from a related company which held by Mr. Wu Liantao ("Mr. Wu"), a director of the Company.

In respect of trade receivables, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Therefore, the Directors of the Company consider that the Group's credit risk is minimised and ECL allowance is considered insignificant. The Group generally grant credit period on sales ranging from 30 days to 120 days to its customers.

22. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(i) Trade receivables *(Continued)*

The following is an aged analysis of trade receivables, net of allowance for credit losses presented based on the invoice dates, which approximates to the respective revenue recognition dates, at the end of the reporting period.

	2021	2020
	RMB'000	RMB'000
0 to 30 days	**173**	17
31 to 60 days	**70**	131
61 to 90 days	**245**	257
Over 90 days	**2,099**	2,224
	2,587	2,629

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

Movements in the allowance for credit losses for trade receivables are as follows:

	2021	2020
	RMB'000	RMB'000
As at 1 July	**—**	732
Reversal of impairment losses recognised	**—**	(817)
Exchange adjustments	**—**	85
As at 30 June	**—**	—

For the year ended 30 June 2021 and 2020, the management of the Group have assessed the ECL of all trade receivables as insignificant and therefore it did not result in an impairment allowance for the that year. During the year ended 30 June 2020, impairment losses of RMB817,000 was reversed.

(ii) Security deposit

As explained in note 25, as at 30 June 2021, the Company is required to maintain a security deposit of RMB8,228,000 with the Agent in accordance with the Loan Restructuring Agreement and the Deed (as defined in note 25). Pursuant to the Deed, the security deposit will be released to the Company upon the settlement of the Syndication Loan Banks and details of which are described in note 25. In view of the respective Syndication Loan was classified as current liabilities of the Company and thus, the security deposit was also classified as current assets of the Company thereon.

22. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(iii) Tender deposit

On 16 November 2020, the Company, 江蘇瑞爾地產集團有限公司 (Jiangsu Ruier Real Estate Group Co., Ltd., "Jiangsu Ruier") and Liaozhong District Government ("District Government") entered into a letter of investment intent (the "LOI"), pursuant to which, the Company and Jiangsu Ruier will participate in the bidding of the land use right of No. 6, Pudong New Town, Liaozhong District, Shenyang City, the PRC and the Lianhuahu Park (the "Target Land") from Liaozhong District Government through public tendering. A subsidiary of the Company, Shanghai Rui Er Summi Enterprise Management Co. Limited, which the Group held 51% equity interest and Jiangsu Ruier held the remaining 49% equity interest, was incorporated on 3 December 2020 for the development and investment of the Ruier Summi commercial complex and boutique residential projects (the "Project") in the Target Land. The expected total investment of the Project is approximately RMB2.5 billion. The LOI is not legally binding, subject to and depending on, among others, the possibility of winning the bid and obtaining the state-owned land use certificate and construction permit in the process of public tendering. The relevant investment shall be subject to the formal agreement after the conclusion of public tendering.

Jiangsu Ruier is a company incorporated in the PRC with limited liability which is held by Mr. Wu Shaohao, who is the chairman of the Group and executive director of the Group and Mr. Wu Liantao, who is the executive director of the Group, beneficially own 98.2% and 1.3% equity interest in Jiangsu Ruier, respectively. Jiangsu Ruier is a connected person of the Group under the Listing Rules.

According to the LOI, a tender deposit of HK$10,000,000 (equivalent to RMB8,325,000) was paid in order to participate in the bidding of the Target Land. The deposit will be converted into part of the land transfer fee upon acquisition of the Target Land. However, if the Group fails in the public tendering, the tender deposit will be refunded in full to the Group without interest.

As at 30 June 2020, the public tendering was postponed and the Group, Jiangsu Ruier and the District Government are mutually agreed to extend the LOI.

Details of the above are described in the Company's announcement dated 16 November 2020.

(iv) Rental deposits

The amount of represented the rental deposits regarding intelligent vending machines in relation to the lease of the placement of intelligent vending machines. In view of the close down the leasing of the intelligent vending machines operations in prior years, the Directors consider that the Group could not recover the outstanding balance from the third party and thus, the amount was fully charged to profit or loss during the year ended 30 June 2019 and was subsequently written off during the year ended 30 June 2020.

Movements in the allowance for doubtful debts of other receivables and deposits are as follows:

	2020 RMB'000
As at 1 July 2019	32,575
Write-off during the year	(32,575)
As at 30 June 2020, 1 July 2020 and 30 June 2021	—

(v) The Directors consider that the other financial assets are low risk because the probability of default of the counterparties is insignificant or do not have any past due amounts. Accordingly, the Group performed impairment assessment individually based on 12m ECL and ECL allowance is considered insignificant.

23. CASH AND CASH EQUIVALENTS

	2021 RMB'000	2020 RMB'000
Cash and cash equivalents	**3,770**	6,842

Bank balances carry interest at market rates which range from 0.001% to 0.3% (2020: 0.001% to 0.33%) per annum.

The credit risks on time deposits and bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

As at 30 June 2021, the bank and cash balances of the Group denominated in RMB amounted to approximately RMB630,000 (2020: RMB1,393,000) kept in banks located in the PRC. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

24. TRADE AND OTHER PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables	**2,149**	6,850
Payables for acquisition of property, plant and equipment	**141**	3,546
Accrued sales commission	**3,596**	4,006
Other tax payables	**9,842**	7,947
Accrued staff costs	**1,027**	963
Interest payables	**17,209**	11,354
Amount due to a director (note below)	**12,733**	42,625
Other payables and accruals	**6,105**	6,817
	52,802	84,108

Note: The amount due to Mr. Wu Shaohao, the director of the Company is unsecured, interest-free and repayable on demand.

24. TRADE AND OTHER PAYABLES *(Continued)*

The following is an aged analysis of accounts payable presented based on the invoice dates.

	2021	2020
	RMB'000	RMB'000
0–90 days	**633**	678
Over 365 days	**1,516**	6,172
	2,149	6,850

The Group had financial risk management policies in place to ensure all payables are settled within the credit timeframe. The credit period on purchase of goods is ranging from 90 to 150 days (2020: 90 to 150 days).

25. BORROWINGS

	2021 RMB'000	2020 RMB'000
Bank borrowings		
— Syndication Loan (note (i) below)	**98,008**	—
— Loan from the Bank (note (ii) below)	**15,309**	16,866
— PRC bank loans	**45,950**	21,320
— Others (note (iii) below)	**—**	132,821
Other borrowings		
— Individual (note (iv) below)	**33,400**	36,400
— A director of a subsidiary (note (v) below)	**66,791**	66,791
	259,458	274,198
The carrying amount of borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable on:		
Within one year or on demand	**202,167**	171,007
Within a period of more than one year but not exceeding two years	**19,091**	—
Within a period of more than two years but not exceeding five years	**38,200**	103,191
	259,458	274,198
The carrying amount of borrowings that become immediately due and payable due to breach of loan covenants and was shown under current liabilities (notes (i), (ii) and (iii) below)	**(113,317)**	(132,821)
	146,141	141,377
Less: Amounts due within one year shown under current liabilities	**(88,850)**	(38,186)
Amounts shown under non-current liabilities	**57,291**	103,191
Analysed as:		
— Secured	**177,449**	81,942
— Unsecured	**82,009**	192,256
	259,458	274,198
Analysed as:		
— Fixed-rate borrowings	**140,141**	141,142
— Variable-rate borrowings	**119,317**	133,056
	259,458	274,198
Borrowings held by		
— PRC companies	**146,141**	149,642
— Non-PRC companies	**113,317**	124,556
	259,458	274,198

25. BORROWINGS *(Continued)*

Notes:

(i) Bank borrowings — Syndication Loan

During the year ended 30 June 2020, certain of the Group's borrowings with an aggregate amount of approximately RMB132,821,000 were overdue and/or in breaching of the clauses of the respective loan agreements (the "Original Loan Agreements") with respective lenders (the "Syndication Loan Banks").

On 23 October 2020, the Company and Syndication Loan Banks, principal of which under the Original Loan Agreements amounted to approximately RMB113,317,000, entered into a loan restructuring agreement (the "Loan Restructuring Agreement"), pursuant to which, the Syndication Loan Banks agreed to restructure their respective bank loan principal as an extended syndication loan with a tenor of 5 years (the "Syndication Loan"). Further to the terms and conditions to the Original Loan Agreements, the Syndication Loan Banks agreed not to commence or continue with any legal proceedings against the Company in relation to the breaching of clauses of the Original Loan Agreements.

Pursuant to the Loan Restructuring Agreement, the Company, the Syndication Loan Banks and a security agent (the "Agent") entered into a master facility deed (the "Deed") and pursuant to the Deed, the Company agreed to maintain a security deposits which will be released to the Company upon the settlement of the Syndication Loan Banks (see note 22(ii))

Pursuant to the clauses of the Loan Restructuring Agreement, the lenders are eligible to request the Group to repay the Syndication Loan immediately if the Group is unable to meet certain financial conditions as set out in the Loan Restructuring Agreement. In view of the defaults of the bank borrowing and corporate bonds of the Group as described in notes 25(ii) and 26, respectively the Company did not comply with the relevant clauses of the Loan Restructuring Agreement and accordingly, the Group reclassified all its outstanding Syndication Loan as current liabilities as at 30 June 2021.

Details of the above are set out in the Company's announcement dated 23 October 2020.

(ii) Bank borrowings — Loan from the Bank

A bank (the "Bank") issued demand letters dated 15 April 2019 and 3 July 2020 and a Writ of Summons indorsed with a Statement of Claim dated 14 July 2020 to the Group relating to a loan granted to the Group. As at 30 June 2021, the outstanding loan balance and accrued interest due to the Bank were RMB15,309,000 (2020: RMB18,866,000) and RMB3,036,000 (2020: RMB1,953,000), respectively. The Directors are still negotiating with the Bank to restructure the loan.

(iii) Bank borrowings — Others

As at 30 June 2020, the Group's "bank borrowings — Others" amounted to RMB132,821,000, which was overdue and/or in breaching the clauses of the respective agreements with the lenders and details of which are described in note 25(i).

(iv) Other borrowings — individual

The loans are interest-bearing at 12% and in which RMB20,000,000 (2020: RMB20,000,000) was secured by assets of the Group and the balance is non-secured. The loans would be due on March 2023 and December 2024.

(v) Other borrowing — a director of a subsidiary

The loans are interest-free and in which RMB18,491,000 (2020: RMB18,491,000) was secured by assets of the Group and the balance is non-secured. The loan would be due in June 2022 and December 2020.

25. BORROWINGS *(Continued)*

Notes: *(Continued)*

(vi) Others

Included in the Group's borrowings are the following amounts denominated in currency other than the functional currency of certain subsidiaries:

	2021 **RMB'000**	2020 RMB'000
US$	**98,008**	75,519

As at end of the reporting period, the effective interest rates (which are also equal to contacted interest rates) on the Group's interest-bearing bank and other borrowings are as follows:

	2021	2020
Fixed-rate bank borrowings	**3.85%-4.35%**	4.35%-6.50%
Variable-rate bank borrowings	**2.89%-8.25%**	4.04%-6.96%
Fixed-rate other borrowings	**0.00%-12.00%**	0.00%-12.00%

26. CORPORATE BONDS

	2021 **RMB'000**	2020 RMB'000
Carrying amounts repayable based on scheduled repayment dates set out in the agreements:		
Within one year	**2,474**	—
After two years but within five years	**97,223**	76,393
Over five years	**—**	19,536
	99,697	95,929
Analysed as:		
— Current liabilities	**39,569**	42,748
— Non-current liabilities	**60,128**	53,181
	99,697	95,929

26. CORPORATE BONDS *(Continued)*

Details of the corporate bonds are as follows:

	Par value HK$'000	Issue date	Maturity date	Duration	Issue amount HK$'000
(i) Corporate bonds issued to third parties (note (i) below)					
Bond I*	4,000	11 August 2016	11 February 2024	7.5 years	4,000
	2,000	18 August 2016	18 February 2024	7.5 years	2,000
	1,000	26 August 2016	26 February 2024	7.5 years	1,000
	2,000	12 August 2016	12 February 2024	7.5 years	2,000
	3,000	6 October 2016	6 April 2024	7.5 years	3,000
	2,000	29 November 2016	29 May 2024	7.5 years	2,000
	2,000	29 November 2016	29 May 2024	7.5 years	2,000
	2,000	29 November 2016	29 May 2024	7.5 years	2,000
	18,000				18,000
Bond II*	1,000	5 September 2016	5 September 2021	5 years	1,000
	2,000	6 October 2016	6 October 2021	5 years	2,000
	3,000				3,000
Bond III**	2,000	12 December 2017	11 June 2025	7.5 years	2,000
	1,000	29 December 2017	28 June 2025	7.5 years	1,000
	2,000	22 March 2018	21 September 2025	7.5 years	2,000
	3,000	9 April 2018	8 October 2025	7.5 years	3,000
	2,000	18 April 2018	17 October 2025	7.5 years	2,000
	3,000	1 June 2018	30 November 2025	7.5 years	3,000
	1,000	7 June 2018	6 December 2025	7.5 years	1,000
	14,000				14,000
Bond IV**	2,000	9 January 2018	8 January 2023	5 years	2,000
	1,000	19 January 2018	18 January 2023	5 years	1,000
	1,000	6 April 2018	5 April 2023	5 years	1,000
	4,000				4,000
Bond V**	10,000	11 January 2018	10 January 2026	8 years	10,000
Bond VI***	2,000	20 August 2018	19 February 2026	7.5 years	2,000
Sub-total	51,000				51,000
(ii) Corporate bonds issued to Controlling Shareholder (the "Bond VII") (note (ii) below)					
Bond VII#	106,000	28 February 2020	27 February 2023	3 years	106,000
Total	157,000				157,000

26. CORPORATE BONDS *(Continued)*

* Bond I and Bond II were issued during the year ended 30 June 2017.

** Bond III, Bond IV and Bond V were issued during the year ended 30 June 2018.

*** Bond VI was issued during the year ended 30 June 2019.

\# Bond VII was issued during the year ended 30 June 2020.

Notes:

(i) Corporate bonds issued to third parties
The Company issued corporate bonds to independent third parties for the purpose of general working capital with an aggregate nominal value of HK$51,000,000 (equivalent to approximately RMB42,203,000) (2020: HK$51,000,000 (equivalent to approximately RMB46,492,000)). They were issued at a fixed interest rate of 4.5% to 6.50% per annum and are payable annually from the date of issuance and maturity date. The principal will be repaid on maturity. The effective interest rate is 7.15% (2020: 7.15%) per annum. The aggregate carrying values of the corporate bonds were RMB39,569,000 (2020: RMB42,748,000)

Pursuant to the clauses of the corporate bonds agreements with the lenders, the lenders are eligible to request the Group to repay the corporate bonds immediately if the Group is unable to meet certain financial conditions as set out in the corporate bonds agreements. In view of the current financial difficulties of the Group as set out in note 2(ii), the Company did not comply with the relevant clauses of the corporate bonds agreements and accordingly, the Group reclassified all its corporate bonds as current liabilities as at 30 June 2021 and 30 June 2020. Besides, certain corporate bonds were default subsequent to the end of the reporting period.

(ii) Corporate bonds issued to Controlling Shareholder
On 31 July 2019, the Company entered into (i) a subscription agreement (the "Subscription Agreement" with the Controlling Shareholder; and (ii) a warrant subscription agreement (the "Warrant Subscription Agreement" with certain individuals (the "Individuals") in relation to the subscription of the bonds, the convertible bonds and the Warrants of the Company.

Pursuant to the Subscription Agreement, the Company conditionally agreed to issue, and the Controlling Shareholder conditionally agreed to subscribe for, (i) the bonds (i.e. the "Bond VII") at the principal amount of HK$106 million; (ii) the convertible bonds (the "Convertible Bonds", see note 28) at the principal amount of HK$74 million; and (iii) 148,715,040 warrants (the "Rui Er Warrants", see note 26) at the warrant subscription price of HK$0.04 per Rui Er Warrant. In addition, pursuant to the Warrant Subscription Agreement, the Company conditionally agreed to issue, and the Individuals conditionally agreed to subscribe for 120,784,960 warrants (the "Individuals Warrants", together with the Rui Er Warrants, the "Warrants", also see note 26) at the warrant subscription price of HK$0.04 per Individuals Warrants.

26. CORPORATE BONDS *(Continued)*

Notes: *(Continued)*

(ii) Corporate bonds issued to Controlling Shareholder *(Continued)*

The principal terms of the Bond VII are as follows:

Principal amount:	HK$106 million
Maturity date:	On the third anniversary of the bond issue date (the "Bonds Issue Date") of 28 February 2020 (the "Bonds Maturity Date")
Interest rate:	2.28% per annum on outstanding amounts payable quarterly in arrears
Transferability:	The bonds are not transferable.
Redemption:	*(a) On Bonds Maturity Date*

Upon redemption on the Bonds Maturity Date, the Company shall redeem the Bond VII at the redemption amount of 100% of the principal amount of the then outstanding bonds plus the relevant accrued and unpaid interest.

(b) On default

Upon the occurrence of an event of default, the Controlling Shareholder may at any time from the Bonds Issue Date and prior to the Bonds Maturity Date, by giving not less than 10 business days prior notice to the Company, request the Company to redeem the whole or part only of the bonds at the redemption amount which is 100% of the principal amount of the bonds being redeemed plus the relevant interest accrued and unpaid.

(c) Early redemption at the option of the Company

The Company may, at any time from the Bonds Issue Date and prior to the Bonds Maturity Date, by giving not less than 10 business days prior notice to the Controlling Shareholder, redeem the whole or part only of the bonds at 100% of the principal amount of the bonds being redeemed together with payment of interests accrued up to the date of such early redemption. No early redemption may be requested by the Controlling Shareholder.

Details of the Subscription Agreement and Warrant Subscription Agreement are described in the Company's announcements dated 31 July 2019 and 1 November 2019 and the Company's circular dated 10 December 2019.

The Directors consider that the early redemption option is regarded as embedded derivatives not closely related to the host contract. With reference to a valuation performed by IVL, the Directors consider that the fair value of the early redemption option is insignificant on issue date of the bonds. Accordingly, the fair value of the early redemption option was not accounted for in the consolidated financial statements for the year ended 30 June 2020.

The principal amount of the Bond VII was HK$106,000,000 (equivalent to RMB96,630,000) and was carrying interest at the rate of 2.28% per annum payable quarterly in arrears. With reference to the valuation performed by IVL, the fair value of the Bond VII at the date of issue was HK$58,830,000 (equivalent to RMB53,630,000) and the effective interest rate was 22.8% per annum.

26. CORPORATE BONDS *(Continued)*

Notes: *(Continued)*

(ii) Corporate bonds issued to Controlling Shareholder *(Continued)*

Based on the valuation performed by IVL, the fair value of the Bond VII on the issue date was valued using Synthetic method (level 3 fair value measurements) and the key inputs and assumptions used are as follows:

Maturity date:	28 February 2023
Discount factor:	25.4%
Spread:	24.44%
Coupon rate:	2.28%

The difference between the principal amount of the Bond VII of RMB96,630,000 and fair value of the Bond VII of RMB53,630,000 was RMB43,000,000, which was credited to the capital reserve of the Group for the year ended 30 June 2020.

On 30 June 2020, the Company and the Controlling Shareholder entered into an agreement (the "Bonds Interest Waiver Agreement") and pursuant to which, the Controlling Shareholder agreed to waive all the interest of the Bond VII to be paid by the Company. Due to the Bonds Interest Waiver Agreement, with reference to the computation performed by IVL, the carrying value of the Bond VII has been reduced from approximately of HK$62,848,000 (equivalent to approximately of RMB57,249,000) to approximately of HK$58,338,000 (equivalent to approximately of RMB 53,181,000) on 30 June 2020, i.e. the "Date of Corporate Bonds Waiver" and thus, the difference of RMB4,068,000 was recognised in profit or loss during the year ended 30 June 2020.

During the year ended 30 June 2020, pursuant to the Bonds Interest Waiver Agreement, interest expenses of HK$594,000 (equivalent to approximately of RMB536,000) was waived by the Controlling Shareholder which was credited to the capital reserve of the Group for the year ended 30 June 2020.

The movements of the corporate bonds issued to the Controlling Shareholder for the years ended 30 June 2020 and 2021 are as follows:

	Bond VII RMB'000
On initial recognition	53,630
Effective interest expenses	4,161
Adjustment pursuant to Bonds Interest Waiver Agreement	(4,068)
Waiver of interest	(536)
Exchange difference	(6)
Balance as at 30 June 2020	53,181
Effective interest expenses	12,218
Exchange difference	(5,271)
Balance as at 30 June 2021	60,128

27. DERIVATIVE FINANCIAL INSTRUMENTS

	2021 **RMB'000**	2020 RMB'000
Warrants (note i)	—	9,517
Derivative component of the Convertible Bonds (note ii) (see note 29)	—	18,493
	—	28,010

Notes:

(i) Warrants

The movements of the Warrants for the years ended 30 June 2020 and 30 June 2021 are set out as below:

	Individuals Warrants RMB'000	Rui Er Warrants RMB'000	Total RMB'000
On initial recognition	4,404	5,423	9,827
Changes in fair values	(137)	(170)	(307)
Exchange differences	(2)	(1)	(3)
Balances at 30 June 2020	4,265	5,252	9,517
Changes in fair values	(3,987)	(4,910)	(8,897)
Exercises of Warrants for the year	(4)	(5)	(9)
Exchange differences	(274)	(337)	(611)
Balances at 30 June 2021	—	—	—

Pursuant to the Subscription Agreement and Warrant Subscription Agreement as described in note 26, the Company conditionally agreed to issue, and the Controlling Shareholder and Individuals conditionally agreed to subscribe for 148,715,040 Rui Er Warrants and 120,784,960 Individuals Warrants at the warrant subscription price of HK$0.04 per Rui Er Warrants and Individuals Warrants, respectively.

27. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Notes: *(Continued)*

(i) Warrants *(Continued)*

The principal terms of the Rui Er Warrants and Individuals Warrants are as follows:

	Rui Er Warrants	Individuals Warrants
Number of Warrants:	148,715,040 Rui Er Warrants	120,784,960 Individuals Warrants
Warrant subscription price:	HK$0.04 per Rui Er Warrants	HK$0.04 per Individuals Warrants
Warrant consideration:	HK$5.95 million	HK$4.83 million
Subscription rights:	Each Rui Er Warrant shall entitle the holder(s) of the Rui Er Warrant(s) to subscribe for one Rui Er Warrant share at the warrant exercise price (subject to adjustments) on any business day during the warrant exercise period.	Each Individuals Warrant shall entitle the holder(s) of the Individuals Warrant(s) to subscribe for one Individuals Warrant share at the warrant exercise price (subject to adjustments) on any business day during the warrant exercise period.
Warrant exercise period:	The period of one year commencing from the warrant issue date on 28 February 2020 (the "Rui Er Warrant Issue Date")	The period of one year commencing from the warrant issue date on 28 February 2020 (the "Individuals Warrant Issue Date")
Warrant exercise price:	HK$0.157 per warrant share, subject to adjustments arising from events such as share consolidation and subdivision, capitalisation of profit or reserves, capital distribution, rights issues of shares or options or warrants over shares, issue of other securities or shares issues for cash at less than market price.	HK$0.157 per warrant share, subject to adjustments arising from events such as share consolidation and subdivision, capitalisation of profit or reserves, capital distribution, rights issues of shares or options or warrants over shares, issue of other securities or shares issues for cash at less than market price.
Number of warrant shares to be issued	148,715,040 Rui Er Warrants shares (subject to adjustments) upon full exercising of the subscription rights attaching to the Rui Er Warrants.	120,784,960 Individuals Warrants shares (subject to adjustments) upon full exercising of the subscription rights attaching to the Individuals Warrants.

The Directors consider that the Warrants issued by the Company that will be settled by other than a fixed amount of cash for a fixed number of the Company's own equity instruments are derivative financial instruments. Accordingly, the Warrants were classified as derivative financial instruments that are recognised at their fair values at the date of issue. Changes in fair values in subsequent periods are recognised through profit or loss.

27. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Notes: *(Continued)*

(i) Warrants *(Continued)*

At 30 June 2020, the Warrants are measured at fair values that are determined by IVL, based on the Binomial method (level 3 fair value measurements). The inputs are assumptions used for the calculation of fair values of the Warrants are as follows:

Share price:	HK$0.126
Conversion price:	HK$0.157
Expected volatility:	120.21%
Expected option life:	1 years
Risk-free rate:	0.2%

On 27 February 2021, the Rui Er Warrants and Individuals Warrants were fully exercised at an exercise price of HK$0.157 per share, resulting in the issue of 148,715,040 ordinary shares and 120,784,960 ordinary shares of the Company for a proceed of HK$23,348,000 and HK$18,963,000, respectively (see note 31).

Derivative component of the Convertible Bonds

Details and movements of the Group's Derivative component of the Convertible Bonds and Convertible Bonds are described in note 29.

On 14 December 2020, the Convertible Bonds were fully converted into 395,721,925 ordinary shares with a conversion unit price of HK$0.187 per share (see note 31).

28. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Undistributed retained profits of PRC subsidiaries RMB'000	Total RMB'000
At 1 July 2019, 30 June 2020, 1 July 2020 and 30 June 2021	1,250	1,250

Pursuant to the EIT Law, 10% withholding tax is levied on foreign investors (5% for foreign investors registered in Hong Kong provided they meet certain criteria) in respect of dividend distributions arising from a foreign investment enterprise's profit earned after 1 January 2008. At 30 June 2021 and 2020, the Directors believed that should the Group determine to distribute profits of the Group's PRC subsidiaries in the foreseeable future, the Group will be able to obtain the approval for the preferential withholding tax of 5% in relation to the dividend income.

At 30 June 2021, deferred tax liabilities of RMB1,250,000 (2020: RMB1,250,000) have been recognised in respect of the tax that would be payable on the portion of the retained profits of the Group's PRC subsidiaries which the Directors expect to be distributed by them in the foreseeable future, based on the assumption that the approval for the 5% preferential withholding tax rate will be obtained.

However, deferred tax liabilities associated with undistributed retained profits of PRC subsidiaries amounting to approximately RMB1,037,906,000 (2020: RMB1,385,755,000) have not been recognised at 30 June 2021, as the Company is able to control the dividend policy of the Group's PRC subsidiaries and the Directors consider it probable that a portion of the undistributed retained profits earned by the Group's PRC subsidiaries as at 30 June 2021 will not be distributed in the foreseeable future.

At 30 June 2021, the Group has unused tax losses of approximately RMB18,923,000 (2020: RMB18,375,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

29. CONVERTIBLE BONDS

	2021 RMB'000	2020 RMB'000
Convertible Bonds	**—**	37,127

Pursuant to the Subscription Agreement, the Company conditionally agreed to issue and the Controlling Shareholder conditionally agreed to subscribe for the Convertible Bonds at the principal amount of HK$74 million during the year ended 30 June 2020 and details of which are described in note 26.

29. CONVERTIBLE BONDS *(Continued)*

The principal terms of the Convertible Bonds are as follows:

Principal amount:	HK$74 million
Conversion price:	HK$0.187 per conversion share, subject to adjustments arising from events such as share consolidation and subdivision, capitalisation of profit or reserves, capital distribution, rights issues of shares or options or warrants over shares, issue of other securities or shares issue for cash at less than market price.
Number of conversion shares to be issued:	395,721,925 conversion shares upon full conversion
Maturity date:	On the third (3rd) anniversary of the Convertible Bonds issue date (the "CB Issue Date") of 28 February 2020 (the "CB Maturity Date")
Interest rate:	2.28% per annum on outstanding amounts payable quarterly in arrears.
Transferability:	The Convertible Bonds are not transferable.
Conversion period:	The Controlling Shareholder shall have the right to convert the whole or part of the outstanding principal amount of Convertible Bonds into shares on any business day during the period commencing from the CB Issue Date and ending on the CB Maturity Date.
Redemption:	*(a) On CB Maturity Date* Upon redemption on the CB Maturity Date, the Company shall redeem the Convertible Bonds at the redemption amount of 100% of the principal amount of the then outstanding Convertible Bonds plus the relevant accrued and unpaid interest. *(b) On default* Upon the occurrence of an event of default, the Controlling Shareholder may at any time from the CB Issue Date and prior to the CB Maturity Date, by giving not less than 10 business days prior notice to the Company, request the Company to redeem the whole or part only of the Convertible Bonds at the redemption amount which is 100% of the principal amount of the Convertible Bonds being redeemed plus the relevant interest accrued and unpaid. *(c) Early redemption at the option of the Company* The Company may, at any time from the CB Issue Date and prior to the CB Maturity Date, by giving not less than 10 business days prior notice to the Controlling Shareholder, redeem the whole or part only of the Convertible Bonds at 100% of the principal amount of the Convertible Bonds being redeemed together with payment of interests accrued up to the date of such early redemption. No early redemption may be requested by the Controlling Shareholder.

29. CONVERTIBLE BONDS *(Continued)*

The movements of the debt and derivative components of the Convertible Bonds for the years ended 30 June 2020 and 30 June 2021 are set out as below:

	Debt component RMB'000	Derivative component RMB'000	Total RMB'000
On initial recognition	37,440	30,019	67,459
Effective interest expenses	2,905	—	2,905
Adjustment pursuant to CB Interest Waiver Agreement	(2,840)	—	(2,840)
Waiver of interest	(374)	—	(374)
Changes in fair value	—	(11,406)	(11,406)
Exchange difference	(4)	(120)	(124)
Balances at 30 June 2020	37,127	18,493	55,620
Effective interest expenses	3,767	—	3,767
Changes in fair value	—	(4,779)	(4,779)
Conversion of Convertible Bonds	(37,357)	(12,152)	(49,509)
Exchange difference	(3,537)	(1,562)	(5,099)
Balances at 30 June 2021	—	—	—

The Directors consider that conversion feature failed the fixed-for-fixed requirement for equity classification as one of the conversion ratio adjustments did not preserve the relative interest between bondholder and ordinary shareholders. The conversion option was therefore regarded as derivative with changes in fair value being recognised in profit or loss in accordance with IAS 39. The liability components and the embedded derivatives of the Convertible Bonds have been separately accounted for. The embedded derivatives concerned referred to the conversion right and early redemption rights of the Convertible Bonds exercisable by the bondholder and Company, respectively.

On initial recognition, the debt component of the Convertible Bonds was recognised at fair value, calculated based on the present value of the principal amount plus accrued coupon interest over the expected life of the Convertible Bonds. In subsequent periods, the debt component is carried at amortised cost using the effective interest method. The effective interest rate of the debt component is 22.8% per annum.

29. CONVERTIBLE BONDS *(Continued)*

The derivative component of the Convertible Bonds is measured at fair values at the date of issue and in subsequent periods with changes in fair value recognised in profit or loss. The fair values of the derivative financial instruments on the initial recognition date are determined by IVL based on the Binomial Method (level 3 fair value measurements). The inputs are assumptions used for the calculation of fair values of the derivative financial instruments are as follows:

Share price:	HK$0.17
Conversion price:	HK$0.187
Coupon rate:	2.28%
Expected volatility:	74.12%
Discount rate:	25.42%
Expected dividend yield:	0.00%
Risk-free rate:	0.981%

On 30 June 2020, the Company and the Controlling Shareholder entered into an agreement (the "CB Interest Waiver Agreement") and pursuant to which, the Controlling Shareholder agreed to waive all the interest of the Convertible Bonds to be paid by the Company. Due to the CB Interest Waiver Agreement, with reference to the computation performed by IVL. the carrying value of the debt component Convertible Bonds have been reduced from approximately of HK$43,875,000 (equivalent to approximately of RMB39,967,000) to approximately of HK$40,727,000 (equivalent to approximately of RMB37,127,000) on 30 June 2020, i.e. the Date of CB Waiver and thus, the difference of approximately of RMB2,840,000 was recognised in profit or loss for the current year.

During the year ended 30 June 2020, interest expenses of HK$415,000 (equivalent to RMB374,000) was waived by the Controlling Shareholder which was credited to the capital reserve of the Group for the year ended 30 June 2020.

At 30 June 2020, the derivative component of the Convertible Bonds is measured at fair value that is determined by IVL, based on the Binomial method (level 3 fair value measurements). The inputs are assumptions used for the calculation of fair value of the derivative component of the Convertible Bonds are as follows:

Share price:	HK$0.126
Conversion price:	HK$0.187
Coupon rate:	0%
Expected volatility:	81.341%
Discount rate:	25.129%
Expected dividend yield:	0.00%
Risk-free rate:	0.23%

On 14 December 2020, all Convertible Bonds were converted into 395,721,925 ordinary shares of the Company and details of which are set out in note 31.

30. DEFERRED INCOME

	RMB'000
At 1 July 2019	1,180
Amortised during the year	(1,180)
At 30 June 2020, 1 July 2020 and 30 June 2021	—

Deferred income represented local government grant received for supporting the Group's investment in a FCOJ production plant. The grant was recognised as other income over the estimated useful lives of the production plant assets.

The Group received discretionary grants from various PRC government authorities in recognition of the Group's contribution to the development of the local agricultural industry and investment in a FCOJ production plant in Chongqing. These government grants were not recurring in nature and were not only available to the Group. There was no assurance that the Group would receive these government grants in the future.

31. SHARE CAPITAL OF THE COMPANY

	Number of shares	Share capital	
		HK$'000	RMB'000
Ordinary shares of HK$0.01 each			
Authorised			
As at 1 July 2019, 30 June 2020 and 30 June 2021	3,000,000,000	30,000	26,376
Issued and fully paid			
As at 1 July 2019 and 30 June 2020	1,347,860,727	13,479	11,610
Issue of shares upon exercise of Warrants (note 27)	269,500,000	2,695	2,230
Issue of shares upon conversion of Convertible Bonds (note 29)	395,721,925	3,957	3,275
Issue of shares	269,000,000	2,690	2,226
As at 30 June 2021	2,282,082,652	22,821	19,341

The details of the issue of shares upon exercise of Warrants and conversion of Convertible Bonds are set out in notes 27 and 29, respectively.

31. SHARE CAPITAL OF THE COMPANY *(Continued)*

On 22 March 2021, the Company entered into certain subscription agreements (the "Subscription Agreements") with seven individual subscribers, each of them is an independent third party and is independent with each other (collectively the "Subscribers" and each is a "Subscriber"), in respect of the subscription of an aggregate of 269,000,000 subscription shares at the subscription price of HK$0.12 per share representing a discount of approximately 18.37% and 17.24% to the closing market price of the Company's ordinary shares on 22 March 2021 and 14 April 2021, (the "Subscription"). The issue of the subscription shares was issued under the General Mandate granted to the Directors at the Annual General Meeting of the Company held on 27 November 2020. The net proceeds paid by the Subscribers under the Subscription Agreements amounted to approximately RMB26,713,000 were utilised as general working capital of the Group. Details of the above are set out in the Company's announcements dated 23 March 2021, 14 April 2021 and 30 April 2021.

The new shares rank pari passu with other shares in issue in all respects.

Other than the above, there were no movements of the share capital of the Company for the years ended 30 June 2020 and 2021.

32. RESERVES

a) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. The share premium is distributable.

b) Capital reserve

The major items of the Group's capital reserve at 30 June 2021 and 2020 are as follows:

- The excess of paid-in capital of Summi Fujian of RMB3,585,000.

- The capital reserve of Sunshine Vocal in connection with the waiver of an equity shareholder's loan and related interest of RMB36,396,000 in prior years.

- The fair value of the actual or estimated number of share options granted to employees of the Group was recognised as capital reserve in accordance with the accounting policy adopted for share-based payments in note 4. During the year ended 30 June 2021, all of the Company's outstanding share options were lapsed and the related reserve was transferred to accumulated loss.

- The deemed contribution from the Controlling Shareholder of RMB43,536,000 and RMB374,000 with respect of the corporate bonds and Convertible Bonds during the year ended 30 June 2020, and details of which are set out in notes 26 and 29, respectively.

c) Shares held under the share award scheme

The amount represents the reserve relating to the "shares held under the share award scheme" and details of which are set out in note 34. The carrying amount of the shares held as at the year-end was presented as a deduction against equity.

32. RESERVES *(Continued)*

d) Statutory reserves

Statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the Group's PRC subsidiaries. Transfers to the reserves were approved by the directors of these companies.

The Group's PRC subsidiaries are required to transfer no less than 10% of their net profits, as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

The statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

The Group's PRC subsidiaries made appropriations to discretionary surplus reserve in accordance with their board of directors' resolutions.

e) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Company. The reserve is dealt with in accordance with the accounting policies set out in note 4.

33. SHARE-BASED PAYMENT TRANSACTIONS

A share option scheme was adopted pursuant to a written resolution of the shareholders of the Company passed on 7 June 2008 and refreshed at the annual general meeting held on 5 November 2012 (the "Share Option Scheme"). Each option gives the holder the right to subscribe for one ordinary share of HK$0.01 each of the Company.

The purpose of the Share Option Scheme is to recognise, motivate and provide incentives to those who make contribution to the Group and to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), Directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

The qualified participants include (i) any full-time or part-time employee of any member of the Group; (ii) any consultant or adviser of any member of the Group; (iii) any director (including executive, non-executive or independent non-executive directors) of any member of the Group; (iv) any substantial shareholder of any member of the Group; and (v) any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group.

On 19 November 2015, the Company granted 54,000,000 share options with a subscription price of HK$1.11 per share to certain qualified participants.

Details of options are as follows:

Date of options granted to the employees of the Group	Number of options	Exercise price	Vesting condition and exercisable percentage condition	Up to %	Expiry date of the share options
19 November 2015 ("2015 Option")	54,000,000	HK$1.11	1 year from grant date	50.0	18 November 2020
			2 years from grant date	50.0	

33. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The following table discloses movements of the Company's 2015 Options during the year ended 30 June 2021:

Option type	Outstanding at 1 July 2020	Lapsed during the year	Outstanding at 30 June 2021
2015 Option			
Executive directors	—	—	—
Employee	9,850,000	(9,850,000)	—
	9,850,000	(9,850,000)	—
Exercisable at the end of the year	9,850,000	—	—
Weighted average exercise price	HK$1.11	—	—

The following table discloses movements of the Company's 2015 Options during the year ended 30 June 2020:

Option type	Outstanding at 1 July 2019	Granted during the year	Outstanding at 30 June 2020
2015 Option			
Executive directors	—	—	—
Employee	9,850,000	—	9,850,000
	9,850,000	—	9,850,000
Exercisable at the end of the year	9,850,000	—	9,850,000
Weighted average exercise price	HK$1.11	—	HK$1.11

33. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The fair value of the share options granted was calculated using the Binomial method (level 3 fair value measurements). The inputs into the model were as follows:

	19 November 2015
Weighted average share price	HK$1.10
Exercise price	HK$1.11
Expected volatility	45.80%
Expected life	5 years
Risk-free rate	1.578%
Expected dividend yield	0%

Expected volatility was determined by reference to the historical volatility of the Company's share price over the previous 5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

Risk-free interest rate represents the yields to maturity of Hong Kong Exchange Fund Note with respective terms to maturity at the valuation date.

No movements of the Company's share options during the year ended 30 June 2020. During the year ended 30 June 2021, all of the Company's 2015 Options were lapsed and the Company transferred the related reserve from the capital reserve to accumulated losses.

The Binomial method (level 3 fair value measurements) has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

34. SHARES HELD UNDER SHARE AWARD SCHEME

On 11 September 2015, the Company adopted the share award scheme (the "Scheme") under which shares of the Company (the "Awarded Shares") may be awarded to the certain employees including directors and senior management of the Group ("Eligible Participants"), to provide incentives or rewards for their commitment and/or contribution to the Group and to provide them with a direct economic interest in attaining the long-term business objectives of the Group. The Share Award Scheme shall be valid and effective for a period of ten years commencing on the adoption date, i.e., 11 September 2015.

The aggregate number of Awarded Shares permitted to be awarded under the Share Award Scheme throughout the duration of the Scheme is limited to 10% of the issued share capital of the Company as at the adoption date. The maximum aggregate number of Awarded Shares which may be awarded to a Selected Participant shall not exceed 1% of the issued share capital of the Company as at the adoption date.

The Company has set up a trust (the "Trust") for the purpose of facilitating the purchase, holding and sale of shares in the Group for the benefit of the employees of the Group. All the shares repurchased by the Group through the Trust in the Stock Exchange are recorded as treasury stock in the reserve and are for the Scheme only.

When an Eligible Participant has satisfied all vesting conditions, which might include service and/or performance conditions, specified by the board of directors of the Company at the time of making the award and become entitled to the shares of the Company forming the subject of the award, the trustee shall transfer the relevant Awarded Shares to that employee. The voting rights and powers of any shares held under the Scheme shall be exercised by the independent trustee who shall abstain from voting. Up to 30 June 2021, all the shares have been granted to the Eligible Participants.

35. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

The employees of the Group's subsidiary in PRC are members of a state-managed retirement benefit scheme operated by the government of PRC. The subsidiary is required to contribute 5% to 27% of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

For the year ended 30 June 2021 and 2020, the Group had no forfeited contribution available to reduce its contributions payable in future years.

The total expense recognised in profit or loss of approximately RMB689,000 from Continuing Operations (2020: RMB602,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

36. CONTINGENT LIABILITIES

In May 2019, the Company received a statement of claim from a former employee relating to the outstanding wages and end of year payment with an aggregate amount of HK$2,520,000 (equivalent of RMB2,297,000) and the Group has already paid a deposit of RMB828,000 (2020: RMB912,000) to the Hong Kong government and made a full provision for such claim in prior years (see note 22).

As explained in note 25(ii), on 14 July 2020, the Bank had taken legal actions against the Group relating to a loan granted to the Group. As at 30 June 2021, the outstanding loan balance and accrued interest due to the Bank were RMB15,309,000 (2020: RMB18,866,000) and RMB3,036,000 (2020: RMB1,953,000), respectively. The Directors are still negotiating with the Bank to restructure the loan.

As at the end of the reporting period and up to the date of approval of these financial statements, apart from expressly stated above, the Group is a party to a number of civil litigations cases, as either a plaintiff or defendant. In the opinion of the Directors, these cases are either premature and/or the Group has a very high likelihood of success in its action and, therefore will not have any adverse impact on the Group's results and financial position. In the opinion of the Directors, adequate provision has been made in these consolidated financial statements.

37. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy of the Group remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes bank loans and corporate bonds, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors review the capital structure on a semi-annual basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares as well as the issue of new debts or the redemption of existing debts.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements, except for the debt covenant requirement of the loan agreements entered into.

38. FINANCIAL INSTRUMENTS

a) Categories of financial instruments

	2021 RMB'000	2020 RMB'000
Financial assets		
Financial assets at amortised cost	**25,099**	13,656
Financial liabilities		
Derivative financial instruments	—	28,010
Other financial liabilities at amortised cost	**412,777**	491,991

b) Financial risk management objectives and policies

The Group's major financial instruments include derivative financial instruments, trade and other receivables, pledged bank deposits, cash and cash equivalents, trade and other payables, borrowings corporate bonds, lease liabilities and Convertible Bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(a) Currency risk

The functional currencies of certain subsidiaries are HK$, MYR or RMB.

The companies of the Group mainly operated in their local jurisdiction with most of the transactions settled in their functional currencies of the operations and did not have significant exposure to risk resulting from changes in foreign currency exchange rates. However, certain bank loans, derivative financial instrument, bank balances and pledged bank deposits of the Group are denominated in currencies other than the functional currency of the respective subsidiaries which expose the Group to currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

38. FINANCIAL INSTRUMENTS *(Continued)*

Market risk *(Continued)*

(a) Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
US$	**406**	612	**97,758**	78,519
MYR	**1,268**	1,145	**989**	887
	1,674	1,757	**98,747**	79,406

Sensitivity analysis

The following table details the Group's sensitivity to increase and decrease in RMB against the relevant foreign currencies. The increase or decrease in the foreign exchange rates in US$ and MYR are the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

	Increase (decrease) in foreign exchange rate %	Effect on profit or loss after taxation RMB'000	Effect on accumulated losses RMB'000
US$	1	816	816
	(1)	(816)	(816)
MYR	1	(2)	(2)
	(1)	2	2

In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposures at the end of the reporting period does not reflect the exposure during the year.

38. FINANCIAL INSTRUMENTS *(Continued)*

Market risk *(Continued)*

(b) Interest risk

The Group is exposed to fair value interest rate risk in relation to derivative financial instruments, bank and other borrowings and corporate bonds. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank and other borrowings. It is the Group's policy to keep certain of its bank loans at floating rate of interests so as to minimise the fair value interest rate risk. The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of London Inter-bank Offered Rate ("LIBOR") arising from the Group's US$ denominated bank loans.

Sensitivity analysis

Based on the management's assessment of the reasonably possible change in interest rates, it is estimated that a general increase/decrease of 100 basis points (2020: 100 basis points) in interest rates, with all other variables held constant, would decrease/increase (2020: decrease/increase) the Group's profit after tax and retained profits by approximately RMB1,155,000 (2020: RMB1,527,000) for the year. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank loans and bank balances.

The sensitivity analysis above has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. The 100 basis points (2020: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The analysis is performed on the same basis for the year ended 30 June 2020.

In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposures at the end of the reporting period does not reflect the exposure during the year.

Credit risk

As at 30 June 2021 and 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to the credit risk are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Trade receivables are due within the credit period from the date of billing. Normally, the Group does not obtain collateral from customers.

38. FINANCIAL INSTRUMENTS *(Continued)*

Credit risk *(Continued)*

The Group's concentration of credit risk by geographical locations is mainly in the South East Asia and PRC, which accounted for 23% and 71% respectively (2020: 17% and 71%) of the total trade receivable as at 30 June 2021.

The Group has concentration of credit risk as 71% (2020: 69%) and 95% (2020: 99%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The credit risk on the Group's liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Expected credit loss

As part of the Group's credit risk management, the Group applied internal credit rating for its customers. Certain of the Group's trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to past default experience and current past due exposure of the debtor.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

Liquidity risk

During the year ended 30 June 2021, the Group reported a loss of RMB$48,518,000 (2020: a profit of RMB315,416,000) and as at 30 June 2021, the Group had net current liabilities of RMB263,134,000 (2020: RMB294,934,000) and a deficit of shareholders' equity attributable to owners of the Company of RMB236,585,000 (2020: RMB330,907,000). Further, as at 30 June 2021, the Group's borrowings, including borrowings and corporate bonds were RMB359,155,000 (2020: RMB 407,254,000). Out of which, as at 30 June 2021, an amount of RMB241,736,000 (2020: RMB 213,755,000) will fall due repayable within one year and details of which are set out in note 2(ii).

As further explained in note 2(ii), the Directors have reviewed the Group's cash flow projections prepared by the management of the Company. The cash flow projections cover a period of not less than twelve months from 30 June 2021. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2021. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The following table details the Group's remaining contractual maturity for its financial liabilities and derivative instruments. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

38. FINANCIAL INSTRUMENTS *(Continued)*

Liquidity risk *(Continued)*

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual settlement dates as the management consider that the settlement dates are essential for an understanding of the timing of the cash flows of derivatives.

	Less than 1 year or on demand RMB'000	Between 1 and 2 yeas RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 30 June 2021						
Non-derivative financial liabilities						
Trade and other payables	**52,802**	**—**	**—**	**—**	**52,802**	**52,802**
Borrowings	**123,213**	**44,845**	**114,312**	**—**	**282,370**	**259,458**
Lease liabilities	**171**	**114**	**300**	**1,393**	**1,978**	**820**
Corporate bonds (note below)	**4,513**	**95,379**	**38,546**	**—**	**138,438**	**99,697**
	180,699	**140,338**	**153,158**	**1,393**	**475,588**	**412,777**

	Less than 1 year or on demand RMB'000	Between 1 and 2 yeas RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 30 June 2020						
Non-derivative financial liabilities						
Trade and other payables	84,108	—	—	—	84,108	84,108
Borrowings	172,091	—	128,423	—	300,514	274,198
Lease liabilities	133	—	300	1,393	1,826	629
Corporate bonds (note below)	2,338	4,937	132,251	13,036	152,562	95,929
Convertible Bonds	—	—	67,458	—	67,458	37,127
	258,670	4,937	328,432	14,429	606,468	491,991

Note: As described in notes 25 and 26, in view of the current financial difficulties of the Group, the Company did not comply with the relevant clauses of the corporate bonds agreements and accordingly, the Group reclassified partial of its borrowings and all of its corporate bonds to third parties as current liabilities as at 30 June 2021 and 30 June 2020.

38. FINANCIAL INSTRUMENTS *(Continued)*

Liquidity risk *(Continued)*

c) ***Fair value measurements of financial instruments***

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

(i) Fair value of the Group's financial liabilities that are measured at fair value on a recurring basis

As at 30 June 2021, the Group did not have any financial liabilities that are measured at fair value.

As at 30 June 2020, partial of the Group's financial liabilities are measured at their fair values. The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation technique(s) and inputs used) at the end of the reporting period.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liabilities				
Derivative financial liabilities				
— Derivative component of Convertible Bonds	—	—	18,493	18,493
— Warrants	—	—	9,517	9,517
	—	—	28,010	28,010

Details of the above are set out in respective notes.

38. FINANCIAL INSTRUMENTS *(Continued)*

Liquidity risk *(Continued)*

c) Fair value measurements of financial instruments *(Continued)*

(ii) Reconciliation of Level 3 fair value measurements

	Derivative component of Convertible Bonds RMB'000	Warrants RMB'000	Total RMB'000
At 1 July 2019	—	—	—
On initial recognition	30,019	9,827	39,846
Changes in fair values	(11,406)	(307)	(11,713)
Exchange differences	(120)	(3)	(123)
At 1 July 2020	18,493	9,517	28,010
Changes in fair values	(4,779)	(8,897)	(13,676)
Exercise of Warrants	—	(9)	(9)
Conversion of Convertible Bonds	(12,152)	—	(12,152)
Exchange differences	(1,562)	(611)	(2,173)
At 30 June 2021	—	—	—

Changes in fair values for the period included in profit or loss relates to financial liabilities held at the end of the current reporting period and included in the line-item "Changes in fair values"'.

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	1 July 2020 RMB'000	Financing cash flows RMB'000	Finance costs incurred RMB'000	Fair value adjustment RMB'000	New lease entered RMB'000	Conversion of Convertible Bonds RMB'000	Exercise of Warrants RMB'000	Foreign exchange movements RMB'000	30 June 2021 RMB'000
Interest payables (note 24)	11,354	(5,075)	11,285	—	—	—	—	(355)	17,209
Amount due to a director (note 24)	42,625	(29,892)	—	—	—	—	—	—	12,733
Derivative financial instruments (note 27)	28,010	—	—	(13,676)	—	(12,152)	(9)	(2,173)	—
Lease liabilities (note 19)	629	(177)	52	—	329	—	—	(13)	820
Borrowings (note 25)	274,198	(3,501)	—	—	—	—	—	(11,239)	259,458
Debt component of Convertible Bonds (note 29)	37,127	—	3,767	—	—	(37,357)	—	(3,537)	—
Corporate bonds (note 26)	95,929	(2,188)	15,387	—	—	—	—	(9,431)	99,697
	489,872	(40,833)	30,491	(13,676)	329	(49,509)	(9)	(26,748)	389,917

	1 July 2019 RMB'000	Financing cash flows RMB'000	Finance costs incurred RMB'000	Gain from loan settlement agreement RMB'000	Fair value adjustment RMB'000	New lease entered RMB'000	Deemed shareholder's contribution RMB'000	Foreign exchange movements RMB'000	30 June 2020 RMB'000
Interest payables (note 24)	22,456	(21,418)	34,293	(24,503)	—	—	—	526	11,354
Amount due to a director (note 24)	14,830	27,795	—	—	—	—	—	—	42,625
Derivative financial instruments (note 27)	—	39,846	—	—	(11,713)	—	—	(123)	28,010
Lease liabilities (note 19)	312	(497)	7	—	—	798	—	9	629
Borrowings (note 25)	767,937	(171,103)	—	(347,622)	—	—	—	24,986	274,198
Debt component of Convertible Bonds (note 29)	—	37,440	2,905	—	(2,840)	—	(374)	(4)	37,127
Corporate bonds (note 26)	38,930	94,290	8,815	—	(4,068)	—	(43,536)	1,498	95,929
	844,465	6,353	46,020	(372,125)	(18,621)	798	(43,910)	26,892	489,872

40. RELATED PARTY TRANSACTIONS AND BALANCES

(i) Transactions with related parties

Other than those disclosed elsewhere in these consolidated financial statements, the Group entered into the following transactions with related parties:

	2021 RMB'000	2020 RMB'000
Sales of goods to related companies held by directors (note below)	**14,834**	5,589
Imputed interest payable to Controlling shareholder on:		
— corporate bonds	**12,218**	4,161
— Convertible Bonds	**3,767**	2,905
Interest waived by the Controlling shareholder		
— corporate bonds	**—**	536
— Convertible Bonds	**—**	374

Note: Mr. Wu Liantao and Mr. Wu Shaohao, directors of the Company, are shareholder of these related companies. These companies are distributors of the Group.

(ii) Balances with related parties

Other than those disclosed elsewhere in these consolidated financial statements, the Group did not have any significant outstanding balances with related parties as at 30 June 2021 and 30 June 2020.

(iii) Compensation of key management personnel:

	2021 RMB'000	2020 RMB'000
Wages, salaries and other benefits	**1,567**	1,790
Discretionary bonuses and performance incentive payments	**—**	—
Contribution to defined contribution plans	**51**	52
Equity-settled share-based payments	**—**	—
	1,618	1,842

The remuneration of Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

40. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(iv) Guarantee for bank borrowings

As at 30 June 2021, Mr. Wu and a related company which held by Mr. Wu, provide a guarantee (equivalent to the outstanding loan amount and interests) to secure the trust loan borrowed by the Company with a carrying amount of RMB98,008,000 (2020: nil) (note 25).

41. NON-MAJOR CASH TRANSACTION

Other than the matter described in note 9 in respect of the gain from loan settlement agreement, and those disclosed elsewhere in these consolidated financial statements, the Group did not have any significant non-cash transaction during the year.

42. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to the lenders to secure the credit facilities granted to the Group:

	2021	2020
	RMB'000	RMB'000
Property, plant and equipment	**50,108**	54,333
Right-of-use assets	**6,943**	7,124
	57,051	61,457

Save as the pledged assets disclosed above, the issued shares of certain subsidiaries of the Company (note 43) of the Company were also pledged to secure borrowings of the Group as at 30 June 2021.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiary	Class of shares held	Place/country of establishment/ incorporation and operation	Paid up issued share capital/ registered capital	Percentage of ownership interest attributable to the Group and voting power held by the Group				Principal activities
				2021		2020		
				Direct %	Indirect %	Direct %	Indirect %	
Sunshine Vocal Limited (note (g) below)	Ordinary shares	The BVI	US$100,000	100	—	100	—	Investment holding in Hong Kong
Rich Anges Limited (note (g) below)	Ordinary shares	The BVI	US$1	100	—	100	—	Investment holding in Hong Kong
Potel Limited (note (g) below)	Ordinary shares	Hong Kong	HK$1	—	100	—	100	Investment holding in Hong Kong
Manwell (China) Limited (note (g) below)	Ordinary shares	Hong Kong	HK$1	—	100	—	100	Investment holding in Hong Kong
Global One	Ordinary shares	The BVI	US$1	—	100	—	100	Investment holding in Hong Kong
Summi (HK) Asia Limited (note (g) below)	Ordinary shares	Hong Kong	HK$1	—	100	—	100	Sales of Summi fresh orange juice in Hong Kong
Summi Yummy Limited	Ordinary shares	Hong Kong	HK$10,000	—	100	—	60	Not yet commence business
森美（福建）食品有限公司 Summi (Fujian) Food Co. Limited ("Summi Fujian") (note (a) and (g) below)	Contributed capital	The PRC	RMB80 million	—	100	—	100	Manufacturing and selling of FCOJ in the PRC
三明森美食品有限公司 Sanming Summi Food Co. Limited (note (b) and (g) below)	Contributed capital	The PRC	RMB10 million	—	100	—	100	Manufacturing and selling of FCOJ in the PRC
重慶天邦食品有限公司 Chongqing Tianbang Food Co. Limited (note (a) and (g) below)	Contributed capital	The PRC	HK$80 Million	—	100	—	100	Manufacturing and selling of FCOJ in the PRC
懷化歐勁果業有限公司 Huaihua Oujin Fruit Co., Ltd (note (b) and (g) below)	Contributed capital	The PRC	RMB30 million	—	100	—	100	Manufacturing and selling of FCOJ in the PRC
重慶尚果農業科技有限公司 Chongqing Shangguo Fruit Technology Co, Ltd. (note (b) and (g) below)	Contributed capital	The PRC	RMB35 million	—	100	—	100	Manufacturing and selling of Summi fresh orange juice in the PRC
重慶邦興果業有限公司 Chongqing Bangxing Fruit Co., Ltd. (notes (b) below)	Contributed capital	The PRC	RMB2 million	—	—	—	—	Sale of fresh oranges in the PRC

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

General information of subsidiaries *(Continued)*

Name of subsidiary	Class of shares held	Place/country of establishment/ incorporation and operation	Paid up issued share capital/ registered capital	Percentage of ownership interest attributable to the Group and voting power held by the Group				Principal activities
				2021		2020		
				Direct %	Indirect %	Direct %	Indirect %	
廈門晨毅商貿有限公司 Xiamen Chenyi Trading Co., Ltd. (note (b) and (g) below)	Contributed capital	The PRC	RMB5 million	—	100	—	100	Sale of Summi fresh orange juice in the PRC
Rui Er Summi BVI Ltd (note (c) and (g) below)	Ordinary shares	The BVI	US$50,000	—	100	—	100	Investment holding
Rui Er Summi Hong Kong (note (d) and (g) below)	Ordinary shares	Hong Kong	HK$10,000	—	100	—	100	Inactive
Summi (Malaysia) Trading Sdn. Bhd. (note (e) below)	Registered capital	Malaysia	Malaysia Ringgit 10,000	—	100	—	100	Sale of food and beverage products
郴州森美橙園投資發展有限公司 Chenzhou Summi Orange Plantation Investment Development Co., Ltd (note (b) and (g) below)	Contributed capital	The PRC	(note (d) below)	—	100	—	100	Manufacturing and selling of Summi fresh orange juice in the PRC
瀋陽森美房地產開發有限責任公司 Shenyang Summi Real Estate Development Co. Limited ("Shenyang Summi Real Estate") (note (b) below)	Registered capital	The PRC	(note (e) below)	—	51	—	—	Investment holding
上海瑞爾森美企業管理有限公司 Shanghai Rui Er Summi Enterprise Management Co. Limited ("Shanghai Rui Er") (note (b) below)	Registered capital	The PRC	(note (f) below)	—	100	—	—	Investment holding

Notes

a. Wholly-owned foreign enterprises.

b. Companies incorporated as private limited liability companies in the PRC.

c. The company is mainly engaged in the sale of fresh oranges in the PRC and the business and operation of the company was accounted for as Discontinued Operation (see note 2(i)). The entity was deregistered on 4 November 2019.

d. Pursuant to the Article of the company, the Company agreed to contribute capital funds of HK$200,000,000 to the company. Till to the date of this report, the Company have not yet been contributed the capital funds to the company.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

General information of subsidiaries *(Continued)*

Notes *(Continued)*

e. Pursuant to the Article of the company, both the Company and the non-controlling shareholders of the company agreed to contribute capital funds of RMB51,000,000 and RMB49,000,000, respectively to the company. Till to the date of this report, both the Company and the non-controlling shareholders have not yet been contributed the capital funds to the company.

f. The entity was incorporated on 7 June 2021. Pursuant to the Article of the company, the Company agreed to contribute capital funds of RMB10,000,000 to the company. Till to the date of this report, the Company have not yet been contributed the capital funds to the company.

g. The issued shares of the subsidiary of the Company were pledged to secure borrowings of the Group as at 30 June 2021.

Details of non-wholly-owned subsidiary that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2021	2020	**2021**	2020	**2021**	2020
				RMB'000	RMB'000	**RMB'000**	RMB'000
Shenyang Summi Real Estate	The PRC	**51%**	—	**(158)**	—	**(158)**	—

44. COMMITMENTS

Other than those disclosed elsewhere in these consolidated financial statements, the Group did not have any significant capital commitments at the end of the reporting period.

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2021 RMB'000	2020 RMB'000
Non-current assets		
Property, plant and equipment	**22**	106
Investments in subsidiaries	**—**	—
Amounts due from subsidiaries	**—**	—
	22	106
Current assets		
Other receivables	**9,407**	1,121
Pledged bank deposits	**—**	—
Cash and cash equivalents	**2,526**	2,825
	11,933	3,946
Current liabilities		
Other payables	**9,085**	7,992
Borrowings	**113,317**	124,556
Amounts due to subsidiaries	**85,259**	137,469
Corporate bonds	**39,569**	42,748
Derivative financial instruments	**—**	28,010
	247,230	340,775
Net current liabilities	**(235,297)**	(336,829)
Total assets less current liabilities	**(235,275)**	(336,723)
Non-current liabilities		
Borrowings	**—**	37,127
Corporate bonds	**60,128**	53,181
	60,128	90,308
Net liabilities	**(295,403)**	(427,031)
Capital and reserves		
Share capital	**19,341**	11,610
Reserves	**(314,744)**	(438,641)
Deficiency of shareholders' equity	**(295,403)**	(427,031)

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(Continued)

The movements of the Company's reserves during the year ended 30 June 2020 and 2021 are as follows:

	Share premium RMB'000	Capital reserve RMB'000	Shares held under the share award scheme RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 July 2019	453,671	5,074	(11,159)	5,073	(1,290,840)	(838,181)
Profits for the year	—	—	—	—	356,208	356,208
Other comprehensive expense for the year — Exchange differences arising on translation of foreign operations	—	—	—	(578)	—	(578)
Total comprehensive income (expense) for the year	—	—	—	(578)	356,208	355,630
Deemed contribution from the Controlling Shareholder (note 31(b))	—	43,910	—	—	—	43,910
As at 30 June 2020 and 1 July 2020	453,671	48,984	(11,159)	4,495	(934,632)	(438,641)
Loss for the year	—	—	—	—	(20,703)	(20,703)
Other comprehensive expense for the year — Exchange differences arising on translation of foreign operations	—	—	—	41,086	—	41,086
Total comprehensive income (expense) for the year	—	—	—	41,086	(20,703)	20,383
Equity-settled share-based payments	—	(14,906)	11,159	—	3,747	—
Issue of shares upon conversion of Convertible Bonds (note 29)	46,234	—	—	—	—	46,234
Issue of share upon exercise of Warrants (note 27)	32,794	—	—	—	—	32,794
Issue of shares	24,486	—	—	—	—	24,486
As at 30 June 2021	557,185	34,078	—	45,581	(951,588)	(314,744)

46. EVENTS AFTER THE REPORTING PERIOD

Other than those disclosed elsewhere in these consolidated financial statements, the Group does not have other significant subsequent events.

Five Years Financial Summary

For the year ended 30 June 2021

The consolidated results, assets and liabilities of the Group for the last five financial years as extracted from the financial statements of the Groups are summarised below:

Result

	Year ended 30 June 2021 RMB'000	Year ended 30 June 2020 RMB'000	Year ended 30 June 2019 RMB'000	Year ended 30 June 2018 RMB'000	Year ended 30 June 2017 RMB'000
Revenue	**111,168**	50,993	57,101	661,721	604,286
(Loss) profit for the year	**(48,518)**	315,416	(2,383,670)	11,562	67,483

Assets and liabilities

	As at 30 June				
	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Total assets	**177,284**	190,346	234,563	2,722,809	2,739,415
Total liabilities	**414,027**	521,253	895,417	978,618	1,004,216