森美（集團）控股有限公司

Summi (Group) Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock code: 00756)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

	Six months ended		
	31 December 2019	31 December 2018	Change % (Approximate)
	RMB'000	*RMB'000*	
Statement of profit or loss and other comprehensive income			
Revenue	**49,477**	23,963	106.5%
Gross profit	**845**	1,366	(38.1%)
Gross profit margin	**1.71%**	5.70%	3.99pp
Profit/(loss) for the period	**329,037**	(97,500)	N/A
Basic earnings/(loss) per share from continuing operations and discontinuing operations (RMB cents)	**24.5**	(7.23)	N/A

	As at 31 December 2019	As at 30 June 2019	Change % (Approximate)
	RMB'000	*RMB'000*	
Statement of financial position			
Cash and cash equivalents	**3,487**	4,364	(20.1%)
Inventories	**9,588**	22,008	(56.4%)
Trade receivables	**3,313**	19,252	(82.8%)
Borrowings	**278,046**	767,937	(63.8%)
Net liabilities	**(312,725)**	(660,864)	(52.7%)

The board (the "Board") of directors (the "Directors") of Summi (Group) Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the six months ended 31 December 2019 (the "Reporting Period"). The unaudited condensed consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (the "IASB"), and have been reviewed by the audit committee of the Company.

BUSINESS REVIEW AND PROSPECT

The Group's operations during the Reporting Period was encouraging, with the operations of each major segment having an improvement of performance. As set out in the announcement dated 26 June 2019, the Group ceased to operate the orange plantation in Chongqing, while the operations of manufacturing frozen concentrate orange juice ("FCOJ") and Summi Products remained active, and the revenue from the sales of FCOJ and Summi Products have been recovering.

During the Reporting Period, the Group has managed to achieve an encouraging development. On 9 December 2019, the Company and certain banks entered into a loan settlement agreement, pursuant to which, the banks agreed to reduce their respective amounts of outstanding liabilities payable by the Company to the settlement balances. The loan settlement agreement has been completed and the Company recorded a substantially decrease in bank borrowings and a gain arising from the reduction of loan principals of approximately USD47,810,000 (equivalent to approximately RMB331,897,000) and approximately RMB363,085,000, respectively. Currently, the Company has been finalising the negotiation with the remaining banks in relation to a debt structuring agreement. The management of the Company is optimistic with the outcome of the negotiation, upon which the Company will be able to further extend the repayment terms of the bank loans with the principals of approximately HK$137.2 million to 2024 and the Company's financial position will be greatly improved.

OPERATING PERFORMANCE

Summi 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 298.8% from approximately RMB5,612,000 over the same period last year to RMB22,382,000, which was mainly attributable to the sales of Summi Products in the supermarkets in the PRC, Hong Kong and Malaysia under new the business model. In addition, the Group has been developing new series of products and mock samples have been sent to distributors and launch dates are expected to be in 2020. The Group estimates that the launch of new products will further enhance the Group's products range and leverage the Group's advantages in food and beverage industry.

FCOJ and related products

Sales of FCOJ and related products increased from approximately RMB18,351,000 over the same period last year to approximately RMB27,095,000 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.

Gross Profit

During the Reporting Period, the Group's gross profit was approximately RMB845,000, an approximate decrease of 38.1% compared to approximately RMB1,366,000 over the same period last year. The Group's gross profit margin decreased to approximately 1.71% (six months ended 31 December 2018: approximately 5.70%). The decrease in gross profit margin during the Reporting Period is due to the decreased average selling price as a result of change of business model.

Gains from loan settlement

The gains were arising from the reduction of the loan principals pursuant to the loan settlement agreement.

Distribution costs and administrative expenses

The Group's distribution costs mainly included marketing expenses and transportation costs. Distribution costs decreased by approximately 49.0% from approximately RMB17,330,000 over the same period last year to approximately RMB8,838,000 during the Reporting Period.

The Group's administrative expenses mainly included general office administrative expenses, salaries, amortisation, etc. Administrative expenses decreased from approximately RMB59,896,000 over the last year to approximately RMB23,917,000 during the Reporting Period.

Finance costs

During the Reporting Period, the Group's finance costs were approximately RMB6,929,000 (six months ended 31 December 2018: approximately RMB29,632,000).

Net profit

During the Reporting Period, the Group's net profit was approximately RMB329,037,000, compared to a loss of approximately RMB97,500,000 over the same period last year.

Interim dividend

The Board has resolved not to announce any interim dividend for the six months ended 31 December 2019 (six months ended 31 December 2018: nil).

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL STRUCTURE

Liquidity

As at 31 December 2019, current assets amounted to approximately RMB29,587,000 (30 June 2019: approximately RMB61,134,000); current liabilities amounted to approximately RMB315,846,000 (30 June 2019: approximately RMB892,987,000).

Financial Resources

As at 31 December 2019, the Group had cash and cash equivalents and pledged bank deposits of approximately RMB3,487,000 (30 June 2019: approximately RMB12,608,000) respectively, as well as total borrowings of approximately RMB278,046,000 (30 June 2019: approximately RMB767,937,000).

As at 31 December 2019, the Group's trade receivables amounted to approximately RMB3,313,000 (30 June 2019: approximately RMB19,252,000), and inventory amounted to approximately RMB9,588,000 (30 June 2019: approximately RMB22,008,000).

Gearing

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

Capital Structure

As at 31 December 2019, the total number of issued shares of the Company (the "Shares") was 1,347,860,727 Shares. Based on the closing price of HK$0.190 per Share as at 31 December 2019, the Company's market capitalisation was HK$256,093,538.13.

FOREIGN EXCHANGE EXPOSURE

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

PLEDGE OF ASSETS

As at 31 December 2019, the Group had pledged the following assets to banks to secure banking facilities granted to the Group:

	As at 31 December 2019 *RMB'000*	As at 30 June 2019 *RMB'000*
Property, plant and equipment	**75,382**	67,164
Right-of-use assets/land use rights	**8,789**	9,021
Pledged bank deposits	–	8,244
	84,171	84,429

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no material contingent liabilities (30 June 2019: nil).

CAPITAL EXPENDITURE

During the Reporting Period, the Group's capital expenditure amounted to approximately RMB3,596,000 (six months ended 31 December 2018: nil) which was used for acquisition of property, plant and equipment.

PLANTS

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

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

INTEGRATED OPERATION MODEL

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

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2019, the Group had 103 employees (2018: 98 employees). The Group offers excellent remuneration, discretionary bonuses and social insurance benefits to its employees. In addition, a share option scheme (the "Scheme") has been adopted on 7 June 2008 for the employees of the Group. The limit in respect of Shares that may be issued pursuant to the exercise of all share options granted under the Scheme has been refreshed on 5 November 2012.

Most of the employees as disclosed by the Group in the previous years were seasonal workers who engaged in the process of extracting contents from the fresh oranges in order to produce orange sac. Since the Company's production has been suspended due to the above reasons, the number of workers required was reduced substantially.

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

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

The following are the details of the loan agreement with covenants relating to specific performance on the controlling shareholders of the Company as at 31 December 2019 pursuant to rule 13.18 of the Listing Rules.

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

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

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

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

(a) the acquisition of 602,980,145 shares of the Company by Rui Er Holdings Company Limited from Key Wise Group Limited which took place on 15 October 2018 constitutes an event of default under the Facility Agreement;

(b) as of 31 October 2018, the outstanding first repayment instalment under the Facility Agreement was not paid in full and certain PRC entities have not executed guarantees in favour of the finance parties under the Facility Agreement, and that failure to remedy the same constitutes an event of default under the Facility Agreement;

(c) the Company is being notified that all of the loans, together with accrued interests, and all other amounts accrued or outstanding under the Finance Documents (as defined in the Facility Agreement) are immediately due and payable;

(d) the Company is being demanded to make immediate payment in the sum of US$8,301,798.79 (equivalent to approximately HK$64,720,823.37); and

(e) if the Company fails to pay all outstanding amounts on or before 5 November 2018, the agent and the lenders under the Facility Agreement may commence legal action against the Company without further notice.

As set out in the announcement dated 10 December 2019, on 9 December 2019, the Company and the Banks entered into a loan settlement agreement (the "Settlement Agreement"), pursuant to which, the Banks agreed to reduce their respective amounts of outstanding liabilities payable by the Company to the settlement balances. Pursuant to the Settlement Agreement, the amounts to be repaid by the Company to the banks were US$20,490,000 and the loan settlement expenses of HK$2,380,000. Upon full settlement, the Banks would fully discharge all of the Company's obligation and indebtedness in relation to their respective parts of outstanding liabilities. On 27 December 2019, the Company settled an amount of US$20,490,000 to the Banks and the Banks agreed that the Company discharged in full its obligations and indebtedness.

According there is no longer breach of loan agreement by the Company as at 31 December 2019 pursuant to rule 13.19 of the Listing Rules.

The unaudited financial information for the six months ended 31 December 2019 together with the comparative figures for the corresponding periods in 2018 were as follows:

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2019

		Six months ended 31 December	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
CONTINUING OPERATIONS			
Revenue	*4*	**49,477**	23,963
Cost of sales		**(48,632)**	(22,597)
Gross profit		**845**	1,366
Gains on a loan settlement agreement		**363,085**	–
Other income	*5*	**4,795**	10,355
Selling and distribution costs		**(8,838)**	(17,330)
Administrative expenses		**(23,917)**	(59,896)
Profit (loss) from operations		**335,970**	(65,505)
Finance costs	*6*	**(6,929)**	(29,632)
Profit (loss) before tax		**329,041**	(95,137)
Income tax (expense) credit	*8*	**(4)**	563
Profit (loss) for the period from Continuing Operations	*7*	**329,037**	(94,574)
DISCONTINUED OPERATION			
Loss for the period from Discontinued Operation		**–**	(2,926)
Profit (loss) for the period		**329,037**	(97,500)

		Six months ended 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Profit (loss) for the period		**329,037**	(97,500)
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of financial statements of foreign operations		**19,102**	37,419
Other comprehensive income for the period		**19,102**	37,419
Total comprehensive income (expense) for the period attributable to owners of the Company		**348,139**	(60,081)
Earnings (loss) per share:	*10*		
From continuing operations and discontinuing operation			
– Basic and diluted *(RMB cents)*		**24.5**	(7.23)
From continuing operations			
– Basic and diluted *(RMB cents)*		**24.5**	(7.02)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at 31 December 2019

	Notes	As at 31 December 2019 RMB'000 (Unaudited)	As at 30 June 2019 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**139,193**	151,984
Right-of-use assets		**21,380**	–
Land use rights		**–**	21,435
		160,573	173,419
CURRENT ASSETS			
Inventories		**9,588**	22,008
Trade and other receivables	*11*	**16,512**	26,518
Pledged bank deposits		**–**	8,244
Cash and cash equivalents		**3,487**	4,364
		29,587	61,134
CURRENT LIABILITIES			
Trade and other payables	*12*	**37,765**	86,118
Income tax payables		**3**	2
Borrowings	*13*	**278,046**	767,937
Corporate bonds		**–**	38,930
Lease liabilities		**32**	–
		315,846	892,987
NET CURRENT LIABILITIES		**(286,259)**	(831,853)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(125,686)**	(658,434)

	As at 31 December 2019 *RMB'000* **(Unaudited)**	As at 30 June 2019 *RMB'000* (Audited)
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**1,250**	1,250
Deferred income	**–**	1,180
Amount due to a shareholder	**145,767**	–
Corporate bonds	**39,799**	–
Lease liabilities	**223**	–
	187,039	2,430
NET LIABILITIES	**(312,725)**	(660,864)
CAPITAL AND RESERVES		
Share capital	**11,610**	11,610
Reserves	**(324,335)**	(672,474)
Deficiency of shareholders' equity	**(312,725)**	(660,864)

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Summi (Group) Holdings Limited is 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 Company acts as an investment holding company and the Group is principally engaged in the production and sale of frozen concentrated orange juice ("FCOJ") and other related products business (the "Production and Sale of FCOJ and Other Related Products Business"), and production and sale of Summi 100% freshly squeezed orange juice ("Summi Fresh Orange Juice") and other products (the "Production and Sale of Summi Fresh Orange Juice and Other Products Business"). The Group ceased the business of the plantation and sale of agricultural produce (the "Plantation and Sale of Agricultural Produce Business") with effect from 26 June 2019.

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the "IASB") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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 interim condensed consolidated financial statements in RMB.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2019 except as described below.

In the current interim period, the Group has applied, for the first time, the following new and amendments to International Financial Reporting Standards ("IFRSs"), which include IFRSs, IASs, amendments and interpretation ("Int(s)") issued by the IASB which are effective for the Group's financial year beginning 1 July 2019:

IFRS 16	Leases
IFRIC – Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IFRS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvement tot IFRSs 2015-2017 Cycle

The adoption of IFRS 16 resulted in changes in the Group's accounting policies and adjustments to the amounts recognised in the interim condensed consolidated financial statements. The new accounting policies are set out in note 3 below. The application of other new and amendments to IFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in the interim condensed consolidated financial statements.

2.1 Impacts on adoption of IFRS 16 Leases

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 3.

The Group has applied IFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 July 2019, and has not restated comparatives for the 2018 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable a comparative information was prepared under IAS 17 Leases.

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

The major impacts of the adoption of IFRS 16 on the Group's interim condensed consolidated financial statements are described below.

The Group as lessee

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principle of IAS 17 Leases (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.0%.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

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

	Notes	Carrying amount previously reported at 30 June 2019 *RMB'000*	Impact on adoption of IFRS 16 *RMB'000*	Carrying amount restated at 1 July 2019 *RMB'000*
Right-of-use assets	(a), (b)	—	21,752	21,752
Land use rights	(b)	21,435	(21,435)	—
Lease liabilities	(a)	—	317	317

Notes:

(a) As at 1 July 2019, right-of-use assets were measured at an amount equal to the lease liability of approximately RMB317,000.

(b) Land use rights of approximately RMB21,435,000 which represent the upfront payments for the use of leasehold lands in the PRC as at 1 July 2019 were adjusted to right-of-use assets.

2.2 Practical expedients applied

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

- not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an arrangement contains a lease*;

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases.

3. CHANGE IN ACCOUNTING POLICIES

Leases

Definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments).

The lease liability is presented as a separate line in the interim condensed consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

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

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the "Property, plant and equipment" policy as stated in the Group's annual consolidated financial statements for the year ended 30 June 2019.

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

4. REVENUE AND SEGMENT INFORMATION

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.

During the year ended 30 June 2019, the Company decided to cease and terminate its Plantation and Sale of Agricultural Produce Business segment and thus this business segment is classified as Discontinued Operation and their net results for the period and the comparatives are excluded from the Continuing Operations as one-line item below net loss of the Continuing Operations.

During the year ended 30 June 2019, the Company established a wholly owned subsidiary, Summi (Malaysia) Trading Sdn. Bhd on 8 April 2019 which is mainly engaged in the sale of food and beverage products in South East Asia and thus, the Company include the sale of food and beverage products in the Production and Sale of Summi Fresh Orange Juice and Other Products Business segment and the South East Asia as its new geographical market.

During the six months ended 31 December 2019, the Group's reportable and continuing operating segments are as follows:

– Production and sale of FCOJ and other related products; and

– Production and sale of Summi Products

Segment revenues, results, assets and liabilities

The following is an analysis of the Group's revenue, results, assets and liabilities by reportable and operating segment from the Continuing Operations and Discounted Operation are as follows:

For the six months ended 31 December 2019 (unaudited)

	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*
Segment revenue (continuing operations)			
– Sales to external customers	**27,095**	**22,382**	**49,477**
– Inter-segment sales	**–**	**–**	**–**
Segment revenue	**27,095**	**22,382**	**49,477**
Elimination			**–**
Consolidated revenue from Continuing Operations			**49,477**
Segment results	**(15,640)**	**(7,170)**	**(22,810)**
Unallocated gains			**364,419**
Corporate and other unallocated expenses			**(5,639)**
Finance costs			**(6,929)**
Profit before tax from Continuing Operations			**329,041**

For the six months ended 31 December 2018 (unaudited)

	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*
Segment revenue (continuing operations)			
– Sales to external customers	18,351	5,612	23,963
– Inter-segment sales	–	–	–
Segment revenue	18,351	5,612	23,963
Elimination			–
Consolidated revenue from Continuing Operations			23,963
Segment results	(40,924)	(24,805)	(65,729)
Unallocated gains			8,248
Corporate and other unallocated expenses			(8,024)
Finance costs			(29,632)
Loss before tax from Continuing Operations			(95,137)

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

Inter-segment sales are charged at prevailing market rates and conducted with terms mutually agreed by both contract parties.

As at 31 December 2019 (unaudited)

	Continuing Operations		**Discontinued Operation**	
	Production and sale of FCOJ and other related products business	**Production and sale of Summi Fresh Orange Juice and other products business**	**Plantation and sale of agricultural produce business**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Segment assets	**77,952**	**104,343**	**–**	**182,295**
Corporate and other assets				**7,865**
Total assets				**190,160**
Segment liabilities	**6,852**	**7,860**	**–**	**14,712**
Corporate and other liabilities				**488,173**
Total liabilities				**502,885**

As at 30 June 2019 (audited)

	Continuing Operations		Discontinued Operation	
	Production and sale of FCOJ and other related products business	Production and sale of Summi Fresh Orange Juice and other products business	Plantation and sale of agricultural produce business	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	99,622	120,485	21	220,128
Corporate and other assets				14,425
Total assets				234,553
Segment liabilities	21,052	27,280	–	48,332
Corporate and other liabilities				847,085
Total liabilities				895,417

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

- all assets are allocated to operating segments other than pledged bank deposits, cash and cash equivalents, certain property, plant and equipment and other receivables which were managed in a centralised manner.

- all liabilities are allocated to operating segments other than corporate bonds, bank and other borrowings, income tax payable, deferred tax liabilities and certain other payables which were managed in a centralised manner.

5. OTHER INCOME (FROM CONTINUING OPERATIONS)

	For the six months ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank interest income	**154**	1,969
Government grants *(note i)*	**1,180**	1,180
Realised gains on derivative instruments	**–**	6,514
Others	**3,461**	692
	4,795	10,355

Note:

(i) During the six months ended 31 December 2019, government grants of approximately RMB1,180,000 (six months ended 31 December 2018: approximately RMB1,180,000) was immediately recognised as other income for the period as there was no unfulfilled condition or contingencies relating to this subsidies.

6. FINANCE COSTS (FROM CONTINUING OPERATIONS)

	For the six months ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on:		
– corporate bonds	**1,284**	1,273
– bank loans	**5,640**	28,359
– lease liabilities	**5**	–
	6,929	29,632

7. PROFIT (LOSS) FOR THE PERIOD (FROM CONTINUING OPERATIONS)

	For the six months ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit (loss) for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**16,387**	19,378
Depreciation of right-of-use assets	**98**	–
Amortisation of land use rights	**–**	917
Amortisation of intangible assets	**–**	3,722
Amount of inventories recognised as an expense	**48,632**	21,752
Exchange difference, net	**612**	–

8. INCOME TAX EXPENSE (CREDIT) (FROM CONTINUING OPERATIONS)

	For the six months ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax	**–**	(1)
Malaysia	**4**	–
Deferred tax	**–**	(562)
	4	(563)

Notes:

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

(b) Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

(c) No Hong Kong Profits Tax has been provided as the Group did not have any assessable profits subject to Hong Kong Profits Tax for both periods.

(d) Income tax for the Group's Malaysian operations is calculated at the rate of 24% on the estimated assessable profit derived from Malaysia for the period.

9. DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 31 December 2019 (six months ended 31 December 2018: nil).

10. EARNINGS (LOSS) PER SHARE

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

Number of shares

	For the six months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,347,860,727**	1,347,860,727

11. TRADE RECEIVABLES

The Group allowed a credit period ranging from 30 to 90 days (30 June 2019: 30 to 90 days) to its trade customers from the date of billing.

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

	31 December 2019	30 June 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**3,313**	19,252

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

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

12. TRADE PAYABLES

The Group had financial risk management policies in place to ensure all payables are settled within the credit timeframe. The average credit period on purchase of goods was 90 days or on demand (30 June 2019: 90 days or on demand).

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

	31 December 2019	30 June 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Due within 3 months or on demand	**680**	21,214

13. BORROWINGS

	As at 31 December 2019	As at 30 June 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Bank borrowings *(note)*	**218,885**	668,237
Other borrowings	**59,161**	99,700
	278,046	767,937
The carrying amount of borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable:		
Within one year or on demand	**278,046**	767,937
	278,046	767,937
Less: the carrying amount of borrowings that are repayable on demand due to breach of loan covenants (shown under current liabilities)	**–**	(630,237)
	278,046	137,700
Less: amounts due within one year shown under current liabilities	**(278,046)**	(137,700)
Amounts shown under non-current liabilities	**–**	–
Analysed as:		
– Secured	**154,722**	150,256
– Unsecured	**123,324**	617,681
	278,046	767,937

Note:

As at 30 June 2019, included in the Group's unsecured bank loans was a three-year term loan facility in an aggregate sum of US$80,000,000 (equivalent to approximately RMB548,371,000) (the "Facility") for the purpose of general working capital. The Facility was jointly guaranteed by the Company's former director, Mr. Sin Ke, and six non-PRC incorporated subsidiaries.

According to the repayment terms as stated in the Facility Agreement, 50% of the principal amounted to US$40,000,000 (equivalent to approximately RMB274,185,000) is repayable in two installments in August 2018 and February 2019 respectively and the remaining 50% of the principal amounted to US$40,000,000 (equivalent to approximately RMB274,185,000) is repayable on maturity date on 8 August 2019.

On 9 December 2019, the Company and the Banks entered into a loan settlement agreement (the "Settlement Agreement"), pursuant to which, the Banks agreed to reduce their respective amounts of outstanding liabilities payable by the Company to the settlement balances. Pursuant to the Settlement Agreement, the amounts to be repaid by the Company to the banks will be US$20,490,000 and the loan settlement expenses of HK$2,380,000. Upon full settlement, the Banks shall fully discharge all of the Company's obligation and indebtedness in relation to their respective parts of outstanding liabilities. On 27 December 2019, the Company settled an amount of USD20,490,000 to the Banks and the Banks agreed that the Company discharged in full its obligations in relation to the Facility.

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

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

CORPORATE GOVERNANCE PRACTICES

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

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company's corporate governance practices have complied with the code provisions set out in the Code throughout the six months ended 31 December 2019.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

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

The Audit Committee had reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal controls and financial reporting matters including a review of the unaudited interim report and unaudited the interim results of the Group for the six months ended 31 December 2019.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This report will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (https://hksummi.com). The interim report for the six months ended 31 December 2019 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

By Order of the Board
Summi (Group) Holdings Limited
Wu Shaohao
Chairman

Hong Kong, 25 February 2020

As at the date of this announcement, the Board comprises: Mr. WU Shaohao and Mr. WU Liantao as executive Directors; Mr. MA Chi Kin, Mr. CHEN Ying and Mr. KYAW Sai Hong as independent non-executive Directors.