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 **2020**

CONTENTS

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

Clifton House, 75 Fort Street
P.O. 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

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
(Formerly known as "Estera Trust (Cayman) Limited")
Clifton House, 75 Fort Street
P.O. Box 1350, Grand Cayman KY1-1108
Cayman Islands

COMPANY WEBSITE

https://hksummi.com

LISTING INFORMATION

Stock Code: 756

For the year ended 30 June

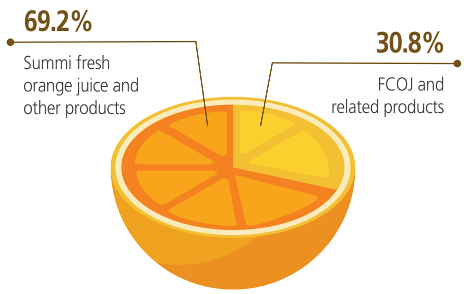
FINANCIAL HIGHLIGHTS

	2020 RMB'000	2019 RMB'000	Change% (Approximately)
Consolidated statement of profit or loss and other comprehensive income			
Continuing operations			
Revenue	50,993	57,101	(11%)
Gross profit (loss)	7,727	(19,700)	N/A
Profit (loss) for the year	315,417	(499,577)	N/A
EBITDA (note)	384,775	(386,367)	N/A
Basis EPS (RMB cents)	23.40	(37.39)	N/A
Diluted EPS (RMB cents)	21.48	(37.39)	N/A
Discontinued operation			
Loss for the year	(1)	(1,884,093)	(100%)
Basic EPS (RMB cents)	–	(141.00)	N/A
Diluted EPS (RMB cents)	–	(141.00)	N/A
Continuing operations and discontinued operation			
Profit (loss) for the year	315,416	(2,383,670)	N/A
Basic EPS (RMB cents)	23.40	(178.39)	N/A
Diluted EPS (RMB cents)	21.48	(178.39)	N/A
Proposed final dividend (HK cents per share)	–	–	N/A
Consolidated statement of financial position			
Cash and cash equivalents	6,842	4,364	57%
Inventories	15,823	22,008	(28%)
Trade receivables	2,629	19,252	(86%)
Borrowings	274,198	767,937	(64%)
Net liabilities value	(330,907)	(660,864)	(50%)

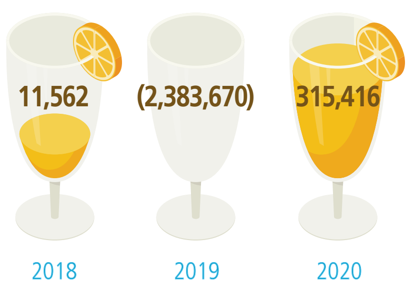
Note: EBITDA: profit (loss) before tax + finance costs + depreciation + amortisation – interest income

REVENUE
(RMB'000)

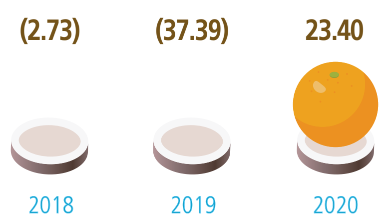
REVENUE BREAKDOWN
(Approximate percentage)



NET PROFIT (LOSS)
(RMB'000)



BASIC EPS
(RMB cents)



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 2020 (the "Reporting Period").

During the Reporting Period, the Group has been striving for recovering from the difficult year in 2019 and the result is encouraging. On 9 December 2019, the Company and certain banks entered into a loan settlement agreement, pursuant to which the Company and the banks agreed to settle the loans at a discount. After the completion of the loans, the Group has reduced the bank borrowing from approximately RMB768 million to approximately RMB274 million. In addition, the negotiation between the Company and the other banks has been in progress and it is expected that agreement will be made, which in turn may cause the Company's financial position to be greatly improved.

However, during the Reporting Period, the Company has been hit severely by the novel coronavirus (the "COVID-19") epidemic. Due to the COVID-19 epidemic, a series of precautionary and control measures have been implemented across China, Hong Kong and Malaysia where the Group has business presence at. As such, super-markets and convenience stores located there were temporarily suspended and their daily business hours have been restricted.

Due to the measures as mentioned above, the business operations of the Group in China and Malaysia were suspended to assist the community in prevent the further spreading of the pandemic. As a result, the Group recorded substantially below expected revenue during the first half of 2020.

The Group recorded the revenue and gross profit of approximately RMB51.0 million and RMB7.7 million respectively. The net profit for the Reporting Period was approximately RMB315.4 million, turning loss into profit compared to the same period last year. Looking forward, the Group hopes to regain customers' confidence and get out of the doldrums through the quality of Summi products.

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, 28 September 2020


Collection of Orange
Washing and Brushing
Sorting
Squeezing
Pasteurization
Summi Fresh Orange Juice
Aseptic Packaging and Storage
FINISH

BUSINESS REVIEW AND PROSPECT

The Group is principally engaged in manufacturing and selling of Summi Products, frozen concentrate orange juice ("FCOJ") and its related products. The Group has a total of five highly efficient production plants which are strategically located in major citrus growing areas (Fujian and Hunan) in China. The Group adopts an integrated business model.

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 waive 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 Banks will be US$20.49 million and the related loan settlement expenses. Upon full settlement, the 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 HK$209 million. Accordingly, a gain relating to the Loan Settlement Agreement of RMB372,125,000 was recognised during the year ended 30 June 2020. 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 USD17,555,000 (equivalent to approximately RMB121,867,000) to 2024 and the Company's financial position will be greatly improved.

IMPACTS OF NOVEL CORONAVIRUS 2019 (THE "COVID-19")

As set out in the announcement dated 30 March 2020, due to the recent outbreak of the COVID-19 epidemic, a series of precautionary and control measures have been implemented across China, Hong Kong and Malaysia where the Group has business presence at. As such, super-markets and convenience stores located there were temporarily suspended and their daily business hours have been restricted until now in order to contain the spread of COVID-19. The COVID-19 has adverse impacts on the consumer spendings of the Company's products and so the Group's financial results is expected to be negatively affected. The extent of COVID-19's impacts on the Group's operations and financial performance for the full financial year ending 30 June 2020 cannot be determined at this stage as the duration and rate of spread of COVID-19 are uncertain. In the light of these uncertainties, the Group expects that its financial results for the full financial year ending 30 June 2020 will be adversely impacted to which the extents still depend on the development of the outbreak.

Due to the measures as mentioned above, the business operations of the Group in China and Malaysia were suspended to assist the community in preventing the further spreading of the pandemic. As a result, the Group recorded substantially below expected revenue during the first half of 2020.

On 10 June 2020, the government of Malaysia partially lifted the movement control measurements imposed in Malaysia and the business activities. After due consideration by the management of the Company, the operations in Malaysia gradually resumed to be normal since late of June 2020, which was again interrupted by the retightening of the movement control measures imposed by the government of Malaysia.

In May 2020, following the lift of the control measures imposed in the PRC, the operations of the Group in the PRC has been resumed to normal. While the production of the Summi products were not severely impacted due to the seasonal factor, the sales of the Group in the PRC were significantly impacted because business negotiation and movements of goods were vastly suspended. Fortunately, the sales of the Group have been recovering since July 2020 and monthly retailed sales of approximately RMB3 million and RMB6 million have been achieved in July and August 2020 respectively.

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 2020. 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 2019 gave a true and fair view ("Audit Qualification I");

2. The auditors are unable to obtain sufficient audit evidence in respect of balances as at 1 July 2018, 30 June 2019 and 1 July 2019 and transactions during the period from 1 July 2018 to Date of Deregistration of Chongqing Bangxing, 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 2019, and non-compliance with International Financial Report Standards ("IFRS(s)") and omission of disclosures thereof ("Audit Qualification II"); and

3. Multiple uncertainties relating to going concern ("Audit Qualification III").

The Company's auditors are of the view that, following the deregistration of the Chongqing Bangxing on 4 November 2019, they were unable to obtain sufficient appropriate audit evidence to determine whether the transactions before deregistration was free from material misstatement and therefore issued a disclaimer of opinion on the results of the Group's consolidated financial statements for the year ended 30 June 2020. The scope limitation giving rise to the disclaimer of opinion as mentioned in 1 and 2 above would no longer be required for the year ended 30 June 2021. Nevertheless, they issued a modification to the auditor's report for the financial year ended 30 June 2020 relating to the opening financial position and will propose a modification to the auditor's report for the financial year ending 30 June 2020 relating to the opening balances of the comparative figures of the retained earnings and the change in equity. The Board of Directors and the Audit Committee of the Company are aware that this modification would not have any continuing effect on the results and the closing financial position of the Company for the financial year ending 30 June 2021.

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

In relation to audit qualification I and II

The management of the Company and the audit committee of the Company discussed the Audit Qualification I and II 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 ending 30 June 2020 (i.e. the financial information as at 1 July 2019) and the comparative figures for the year ended 30 June 2019, the Audit Qualification II would be removed.

In relation to audit qualification III

As set out in the announcements dated 9 December 2019, the Group successfully reached a loan settlement agreement with certain banks, pursuant to which, the banks agreed to reduce their respective amounts of outstanding liabilities payable by the Company to the settlement balances. The agreement was duly completed in December 2019. In addition, as set out in the announcement dated 28 February 2020, the Group successfully raised approximately HK$185 million to support the Group's continuing businesses. As a result, the Group's financial position has been significantly improved. The Company expects that finalisation of a loan restructuring agreement with other banks will take place before the end of October 2020. As such, the current year modification report in respect of the going concern of the Group would be removed.

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 18.8% from approximately RMB29,725,000 in last year to RMB35,308,000, 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.

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 decreased from approximately RMB27,376,000 over the same period last year to approximately RMB15,685,000 in the Reporting Period. During the Reporting Period, the Group has continued negotiation with the customers in relation to the supplies of FCOJ and related products. However, the progress was interrupted by the COVID-19 as negotiation was suspended during the COVID-19. As a result, the sales of FCOJ and related products during the Reporting Period were decreased by approximately RMB11,691,000. 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 2020 and the corresponding year are set out as follows:

	2020		2019	
	RMB'000	Percentage of total revenue	RMB'000	Percentage of total revenue
Summi fresh orange juice and other products	35,308	69.2%	29,725	52.1%
FCOJ and related products	15,685	30.8%	27,376	47.9%
	50,993	100%	57,101	100%

Gross profit (loss) from continuing operations

During the Reporting Period, the Group's gross profit was approximately RMB7,727,000 as compared to gross loss of approximately RMB19,700,000 for the last year.

Selling, distribution costs and administrative expenses

The Group's distribution costs mainly included marketing expenses and transportation costs. Distribution costs decreased by approximately 96% from approximately RMB64,851,000 over the corresponding year to approximately RMB2,836,000 during the year. The decrease was mainly due to the discontinuation of most marketing expenses during the Reporting Period as the Group was adjusting its sales strategy for Summi Products, in order to ensure the effective use of financial resources.

The Group's administrative expenses mainly included general office administrative expenses, salaries, amortisation, etc. Administrative expenses decreased from approximately RMB67,889,000 over the corresponding year to approximately RMB42,699,000 during the Reporting Period.

(Reversal of) impairment losses recognised

During the Reporting Period, as the management of the Company identified the events of impairment, the management of the Company had reviewed the recoverable value of the Company's property, plant and equipment, intangible assets, land use rights, goodwill and trade and other receivables. As a result of the impairment review, the following impairment losses were recognised or reversed:

	2020 RMB'000	2019 RMB'000
Property, plant and equipment	(1,793)	118,498
Intangible assets	–	33,005
Goodwill	–	56,696
Trade and other receivables	(817)	33,307
Total (reversal of) impairment losses recognised	(2,610)	241,506

The management of the Company performed an impairment review on the above items based on the change of operation environments of the Company and recognised impairments based on the results of the impairment review, with reference to the valuation conducted by an independent professional valuer, if appropriate.

Finance costs

During the Reporting Period, the Group's finance costs were approximately RMB46,020,000 (2019: RMB67,540,000).

Net profit (loss)

During the Reporting Period, the Group's net profit was approximately RMB315,416,000, as compared to net loss of approximately RMB2,383,670,000 as compared with the corresponding year.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL STRUCTURE

Liquidity

As at 30 June 2020, net current liabilities amounted to approximately RMB294,934,000 (2019: net current liabilities of approximately RMB831,853,000).

Financial resources

As at 30 June 2020, the Group had cash and cash equivalents and pledged bank deposits of approximately RMB6,842,000 (2019: approximately RMB12,608,000) and total bank and other borrowings of approximately RMB274,198,000 (2019: approximately RMB767,937,000). The Group has corporate bonds of RMB95,929,000 (2019: RMB38,930,000).

As at 30 June 2020, trade and other receivables were approximately RMB8,407,000 (2019: approximately RMB26,518,000) and inventories were approximately RMB15,823,000 (2019: approximately RMB22,008,000).

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.

	2020	2019
Quick ratio (x)	0.05	0.04
Current ratio (x)	0.09	0.07
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 2020, the total number of issued shares was 1,347,860,727 shares. Based on the closing price of HK$0.126 per share as at 30 June 2020, the Company's market capitalisation as at 30 June 2020 was HK$169,830,451.60.

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 49 to the consolidated financial statements of this annual report.

CONTINGENT LIABILITIES

In May 2020, 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 RMB2,192,000) and the Group has already made a full provision for such claim during the years ended 30 June 2019 and 2020.

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 at a preliminary stage 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 2020.

CAPITAL EXPENDITURE

During the Reporting Period, the Group's capital expenditure amounted to approximately RMB6,486,000 (2019: approximately RMB606,131,000) which was used for acquisition of property, plant and equipment, intangible assets and land use rights and lease prepayments for Orange Plantations in Chongqing.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2020, the Group employed 113 employees (2019: 104 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 RMB902,000)	4
HK$1,000,001 to HK$1,500,000 (equivalent to RMB902,001 to RMB1,353,000)	–
HK$1,500,001 to HK$3,000,000 (equivalent to RMB1,353,001 to RMB2,706,000)	–

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Wu Shaohao (吳紹豪先生) ("Mr. Wu"), aged 52, was appointed as an executive Director on 4 December 2018. Mr. Wu has over 17 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.

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 27, 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"), which is a wholly owned subsidiary 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.

Independent non-executive Directors

Mr. Kyaw Sai Hong (左世康先生) ("Mr. Kyaw"), aged 38, 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.

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 34, 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 10 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.

* The English translation is for identification purpose only

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 Hangzhou Tuling Assets Management Company Limited (杭州圖靈資產管理有限公司). Mr. Chen has over 20 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 51, 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 36, 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 50 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 6 to 11. 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 2020 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 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 37 of this annual report.

No interim dividend was paid or declared in respect of the Reporting Period (2019: nil).

The Board did not recommend the payment of a final dividend (2019: 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 146. 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 67.8% and 70.0% respectively of the Group's total purchases during the year ended 30 June 2020. Revenue attributable to the Group's largest customer and the five largest customers in aggregate accounted for 35.5% and 91.4% 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 19 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 20 and 21 to the consolidated financial statements.

Intangible assets

Details of movements during the Reporting Period in intangible assets of the Group are set out in note 24 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 37 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 40.

As at 30 June 2020, the Company had a deficiency of reserves of approximately RMB480,961,000 (2019: approximately RMB630,771,000) 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. Wu Shaohao and Mr. Wu Liantao (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 12 to 13 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors have entered into a service contract with the Company for a fixed term of 3 years unless terminated by not less than 3 months' notice 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 2020.

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 RMB13,074,000 (2019: approximately RMB25,033,000).

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 15 and 16 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 2020, 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	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) Beneficial owner (Note)	1,309,881,110	97.18%

Note: 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.

Save as disclosed above, as at 30 June 2020, 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 2020, 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)	97.18%
Ms. Yang Xijuan ("Ms. Yang")	Interest of spouse (Note 2)	1,309,881,110 (L)	97.18%
Ms. Hu Mingyue ("Ms. Hu")	Beneficial owner	120,784,960 (L)	8.96%

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 2020, 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 15 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 under the heading "INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES" above, 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 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 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 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.

Related parties transactions

The material related party transactions in relation to the key management compensation as disclosed in note 47 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 47 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 2020 are set out in note 31 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 41 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 2019	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	As at 30 June 2020	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	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.

For further information of the share options, please refer to note 39 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 32 of this annual report.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to Attend and Vote at the 2020 AGM

For determining the Shareholders' eligibility to attend and vote at the forthcoming annual general meeting to be held on 27 November 2020 (Friday) (the "AGM"), the register of members of the Company will be closed from 23 November 2020 (Monday) to 27 November 2020 (Friday), both days inclusive, during which period no transfer of Shares will be registered. The record date will be 27 November 2020 (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, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 20 November 2020 (Friday).

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, 28 September 2020

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 12 to 13. 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

The role of the chief executive officer of the Company has been vacant during the Reporting Period. The Company has maintained a deputy chief executive officer during the Reporting Period. The roles of the chairman and the deputy chief executive officer of the Company are separate and exercised by different individuals.

Board Meetings

The Board meets regularly. In addition to regular meetings, it meets as and when warranted by particular circumstances. During the Reporting Period, six 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)*	6/6	2/2
Mr. Wu Liantao	5/6	2/2
Independent Non-Executive Directors		
Mr. Chen Ying	4/6	2/2
Mr. Kyaw Sai Hong	4/6	2/2
Mr. Ma Chi Kin	4/6	2/2

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.

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 year 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.

As at 30 June 2020, 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.

One meeting was 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)*	1/1
Mr. Wu Liantao	1/1
Mr. Kyaw Sai Hong	1/1

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$1,000,000 (equivalent to approximately RMB902,000) (2019: HK$900,000 (equivalent to approximately RMB783,000).

During the Reporting Period, there was no non-audit service provided by Yongtuo Fuson CPA Limited.

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 2020.

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 2020, the internal audit department 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 12 to 13 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,
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, 28 September 2020

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 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 36 to 144, which comprise the consolidated statement of financial position as at 30 June 2020, 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) Opening balances and corresponding figures

Our audit opinion on the consolidated financial statements of the Group for the year ended 30 June 2019 (the "2019 Financial Statements"), which form the basis for the corresponding figures 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, details of which are set out in our report dated 30 September 2019 and the matters described in (2) below.

Any adjustments found to be necessary in respect of these matters above might have significant effects on the consolidated statement of financial position as at 30 June 2019, 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 ended 30 June 2019, our audit opinion on the consolidated financial statements for the year ended 30 June 2019 was modified accordingly. Our 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.

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

(2) Insufficient audit evidence in respect of balances as at 1 July 2018, 30 June 2019 and 1 July 2019 and transactions during the period from 1 July 2018 to Date of Deregistration (as defined below) of Chongqing Bangxing, 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 2019, and non-compliance with International Financial Report Standards ("IFRS(s)") and omission of disclosures thereof

As set out in note 2(i) to the consolidated financial statements, because of the loss of certain accounting records and documents 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 Plantation and Sale of Agricultural Produce Business segment (as defined in note 1 to the consolidated financial statements) and the deregistration procedures of Chongqing Bangxing was completed on 4 November 2019, the "Date of Deregistration") 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 of the Company (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 balances as at 1 July 2018, 30 June 2019, 1 July 2019 and transactions during the period from 1 July 2018 to Date of Deregistration (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 consolidated financial statements of the Group.

We were unable to obtain sufficient appropriate audit evidence to determine whether the balances as at 1 July 2018, 30 June 2019 and 1 July 2019 and 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 were free from material misstatement. In view of that, we were unable to obtain sufficient appropriate audit evidence to determine whether the related 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 for the year were free from material misstatement for the Relevant Period.

Against this background, we are unable to satisfy ourselves as to whether the balances as at 1 July 2018, 30 June 2019 and 1 July 2019 and transactions during the Relevant Period of Chongqing Bangxing included in the consolidated financial statements and to determine whether all the transactions entered into by Chongqing Bangxing for the Relevant Period have been properly accounted for in the consolidated financial statements of the Group.

Due to insufficient financial information as mentioned above, we are unable to ensure whether the consolidated financial statements have been properly prepared in compliance with disclosures requirements under IFRSs 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 thereof.

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

(3) Multiple uncertainties relating to going concern

As described in note 2(ii) to the consolidated financial statements, as at 30 June 2020, the Group had a net current liabilities of RMB294,934,000 and a deficiency of shareholders' equity of RMB330,907,000. Further, as at 30 June 2020, the Group's borrowings, including borrowings, corporate bonds and convertible bonds were RMB407,254,000. Out of which, as at 30 June 2020, an amount of RMB213,755,000 will be repayable within one year.

During the year, a 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 were approximately RMB16,866,000 and RMB1,953,000 respectively. The Directors are still negotiating with the bank to restructure of the loan and the accrued interest.

During the year, the Group's borrowings with an aggregate amount of RMB132,821,000 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 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.

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.

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 non-current assets and non-current 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 Lee Yan Fai.

Yongtuo Fuson CPA Limited
Certified Public Accountants
Lee Yan Fai
Practising Certificate Number: P06078

Hong Kong, 28 September 2020

Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Notes	2020 RMB'000	2019 RMB'000
Continuing Operations			
Revenue	6	**50,993**	57,101
Cost of sales		**(43,266)**	(76,801)
Gross profit (loss)		**7,727**	(19,700)
Other income	8	**6,024**	5,836
Gain from loan settlement agreement	9	**372,125**	–
Change in fair values	12	**18,621**	2,355
Selling and distribution expenses		**(2,836)**	(64,851)
Administrative expenses		**(42,699)**	(67,889)
Write-off of property, plant and equipment and intangible assets	12	**–**	(26,027)
Reversal of (impairment losses) recognised	12	**2,610**	(241,506)
Other operating expenses	10	**(135)**	(29,628)
Finance costs	11	**(46,020)**	(67,540)
Profit (loss) before tax	12	**315,417**	(508,950)
Income tax credit	13	**–**	9,373
Profit (loss) for the year from Continuing Operations		**315,417**	(499,577)
Discontinued Operation from Plantation and Sale of Agricultural Produce Business			
Loss for the year from Discontinued Operation	14	**(1)**	(1,884,093)
Profit (loss) for the year		**315,416**	(2,383,670)
Other comprehensive expense for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(29,369)**	(24,898)
Total comprehensive income (expense) for the year attributable to owners of the Company		**286,047**	(2,408,568)
Earnings (loss) per share	18		
From continuing and discontinued operations			
– Basic (RMB cents)		**23.40**	(178.39)
– Diluted (RMB cents)		**21.48**	(178.39)
From Continuing Operations			
– Basic (RMB cents)		**23.40**	(37.39)
– Diluted (RMB cents)		**21.48**	(37.39)

Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	19	137,468	151,984
Right-of-uses assets	20	21,806	–
Land use rights	21	–	21,435
Lease prepayments for orange plantations	22	–	–
Goodwill	23	–	–
Intangible assets	24	–	–
		159,274	173,419
Current assets			
Inventories	26	15,823	22,008
Biological assets	27	–	–
Trade and other receivables	28	8,407	26,518
Lease prepayments for orange plantations	22	–	–
Pledged bank deposits	29	–	8,244
Cash and cash equivalents	29	6,842	4,364
		31,072	61,134
Current liabilities			
Trade and other payables	30	84,108	86,118
Borrowings	31	171,007	767,937
Lease liabilities	20	131	–
Corporate bonds	32	42,748	38,930
Derivative financial instruments	33	28,010	–
Income tax payable		2	2
		326,006	892,987
Net current liabilities		(294,934)	(831,853)
Total assets less current liabilities		(135,660)	(658,434)
Non-current liabilities			
Deferred tax liabilities	34	1,250	1,250
Borrowings	31	103,191	–
Lease liabilities	20	498	–
Corporate bonds	32	53,181	–
Convertible bonds	35	37,127	–
Deferred income	36	–	1,180
		195,247	2,430
Net liabilities		(330,907)	(660,864)

As at 30 June 2020

	Notes	2020 RMB'000	2019 RMB'000
Capital and reserves			
Share capital	37	**11,610**	11,610
Reserves	38	**(342,517)**	(672,474)
Deficiency of shareholders' equity		**(330,907)**	(660,864)

The consolidated financial statements from pages 37 to 145 were approved and authorised for issue by the board of directors on 28 September 2020:

WU Shaohao	WU Liantao
Director	*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 2020

	Share capital RMB'000	Share premium RMB'000 (Note 38(a))	Capital reserve RMB'000 (Note 38(b))	Shares held under the share award scheme RMB'000 (Note 38(c))	Statutory reserves RMB'000 (Note 38(d))	Exchange reserve RMB'000 (Note 38(e))	Retained profits (accumulated losses) RMB'000	Total RMB'000
As at 1 July 2019	11,610	453,671	60,483	(14,672)	38,810	(11,381)	1,205,670	1,744,191
Loss for the year	–	–	–	–	–	–	(2,383,670)	(2,383,670)
Other comprehensive income for the year								
– Exchange differences arising on translation of foreign operations	–	–	–	–	–	(24,898)	–	(24,898)
Total comprehensive expense for the year	–	–	–	–	–	(24,898)	(2,383,670)	(2,408,568)
Equity-settled share-based payments (note 39)	–	–	(14,093)	3,513	–	–	14,093	3,513
As at 30 June 2019 and 1 July 2020	11,610	453,671	46,390	(11,159)	38,810	(36,279)	(1,163,907)	(660,864)
Profit for the year	–	–	–	–	–	–	315,416	315,416
Other comprehensive expense for the year								
– Exchange differences arising on translation of foreign operations	–	–	–	–	–	(29,369)	–	(29,369)
Total comprehensive (expenses) income for the year	–	–	–	–	–	(29,369)	315,416	286,047
Deemed contribution from the Controlling Shareholder (note 38(b))	–	–	43,910	–	–	–	–	43,910
As at 30 June 2020	11,610	453,671	90,300	(11,159)	38,810	(65,648)	(848,491)	(330,907)

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	2020 RMB'000	2019 RMB'000
OPERATING ACTIVITIES		
Profit (loss) before tax		
– Continuing Operations	315,417	(508,950)
– Discontinued Operation	(1)	(1,884,093)
	315,416	(2,393,043)
Adjustments for:		
Loss from changes in fair value of biological assets less costs to sell	–	372,124
Change in fair values	(18,621)	(2,355)
Depreciation of property, plant and equipment	22,803	50,403
Depreciation of right-of-use-assets	748	–
Amortisation of intangible assets	–	5,195
Amortisation of land use rights	–	555
Impairment loss recognised in respect of lease prepayments for orange plantations	–	1,509,037
(Reversal of) impairment losses recognised in respect of property, plant and equipment, intangible assets, trade and other receivables and goodwill	(2,610)	241,506
(Reversal of) impairment loss recognised in respect of inventories	(5,873)	20,932
Write-off of property, plant and equipment and intangible assets	–	26,027
Write-off of inventories	2,258	–
Finance costs	46,020	67,540
Compensation claim	–	25,116
Equity-settled share-based payment expenses	–	3,513
Government grants	(1,180)	(2,360)
Bank interest income	(213)	(349)
Interest income from pledged bank deposits	–	(238)
Interest income from financial assets at amortised cost	–	(523)
Gain from loan settlement agreement	(372,125)	–
Operating cash flows before movements in working capital	(13,377)	(76,920)
Decrease in inventories	9,800	14,191
Increase in biological assets	–	(19,906)
Increase in lease prepayments for orange plantations	–	(604,720)
Decrease in trade and other receivables	18,928	128,371
(Decrease) increase in trade and other payables	(18,703)	16,006
Cash used in operations	(3,352)	(542,978)
Income tax paid	–	(65)
NET CASH USED IN OPERATING ACTIVITIES	(3,352)	(543,043)

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	2020 RMB'000	2019 RMB'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(6,486)	(1,411)
Withdrawal of pledged bank deposits	8,244	183,486
Redemption of financial assets at amortised cost	–	16,918
Settlement for derivative financial instruments	–	4,381
Interest income received from financial assets at amortised cost	–	523
Bank interest income received	213	349
Interest income received from pledged bank deposits	–	238
Repayment from a director	–	42,887
Advance to a director	–	(42,541)
NET CASH FROM INVESTING ACTIVITIES	1,971	204,830
FINANCING ACTIVITIES		
Repayments of borrowings	(347,113)	(332,097)
Repayments of lease liabilities	(497)	–
Interest paid	(23,758)	(41,789)
New borrowings raised	176,010	177,676
New corporate bonds issued	96,630	1,485
Proceeds on issues of warrants	9,827	–
Proceeds on issues of convertible bonds	67,459	–
Advance from a director	27,795	14,830
NET CASH FROM (USED IN) IN FINANCING ACTIVITIES	6,353	(179,895)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,972	(518,108)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	4,364	521,487
Effect of foreign exchange rate changes	(2,494)	985
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by cash and cash equivalents	6,842	4,364

1. GENERAL

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 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 50.

During the year and up 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 2019 (the "Discontinued Operation", and details of which are set out in note 14), 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.

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 "Announcements"), 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 has 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 terminate 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 14.

2. BASIS OF PREPARATION *(Continued)*

(i) Chongqing Bangxing *(Continued)*

In view of the above, the Company had sought legal advice as to the enforceability of the contracts on the Orange Plantations with the local communities of plantations from an independent legal adviser (the "Legal Adviser"). In addition, the Company had appointed an independent professional adviser (the "Independent Professional Adviser") to investigate the matters related to the Orange Plantations. With reference to the reports from the Legal Adviser and the Independent Professional Adviser, the Directors conducted a review on the business and operations and internal control system of Chongqing Bangxing and revealed that: (i) the Group was unable to contact Mr. Sin, certain former key personnel and management of the Group who were also previously responsible to the operations and businesses of Chongqing Bangxing; and (ii) a number of accounting records and documents 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. from 1 July 2018 to the Date of Deregistration (as defined below) (the "Relevant Period") were not available.

With the consultation to the Legal Adviser, the Directors considered that, pursuant to the contracts on the Orange Plantations with the local communities of plantations, other than the plantation of fresh orange for the Group, the Group was not eligible to use the Orange Plantations for other purposes and/or to sub-lease the Orange Plantations to other third parties and thus, the Directors considered that the Orange Plantations will be no longer to generate any economic benefits to the Group in the near future.

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 balances as at 1 July 2018, 30 June 2019 and 1 July 2019 and 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.

Due to insufficient financial information as mentioned above, the Directors were unable to ensure whether the consolidated financial statements 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.

Particulars regarding to the Discontinued Operation, the lease prepayments for orange plantations and biological assets of the Group are disclosed in notes 14, 22 and 27, respectively.

2. BASIS OF PREPARATION *(Continued)*

(ii) Going concern basis

As at 30 June 2020, the Group had net current liabilities of RMB294,934,000 (2019: RMB831,853,000) and a deficiency of shareholders' equity of RMB330,907,000 (2019: RMB660,864,000). Further, as at 30 June 2020, the Group's borrowings including borrowings, convertible bonds and corporate bonds were RMB407,254,000. Out of which, as at 30 June 2020, the Group's borrowings amounted to RMB213,755,000 will be repayable within one year.

During the year, a 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 RMB16,866,000 and 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 RMB132,821,000 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 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 now 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");

(ii) 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. (the "Business and Operation Restructuring Plan"); and

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

2. BASIS OF PREPARATION *(Continued)*

(ii) Going concern basis *(Continued)*

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 2020. 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 2020. 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 abovementioned 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 for the first time, the following new IFRSs, amendments and interpretations to IFRSs issued by IASB, which are relevant to and effective for the Group's consolidated financial statements for the accounting period beginning on 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 IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle

Other than as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* ("IAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 July 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

For the year ended 30 June 2020

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

Amendments to IFRSs that are mandatorily effective for the current year *(Continued)*

IFRS 16 Leases *(Continued)*

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 July 2019.

As at 1 July 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying IFRS 16.C8(b)(ii) transition.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rates applied by the relevant group entities is 3%.

	At 1 July 2019 RMB'000
Operating lease commitments disclosed as at 30 June 2019	336
Lease liabilities as at 1 July 2019 discounted at relevant borrowing rates	312
Analysed as	
Current	169
Non-current	143
	312

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

Amendments to IFRSs that are mandatorily effective for the current year *(Continued)*

IFRS 16 Leases *(Continued)*

As a lessee

The carrying amount of right-of-use assets for own use as at 1 July 2019 comprises the following:

	Right-of-use assets RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	312
Reclassified from land use rights (note below)	21,435
	21,747

Note: Upfront payments for leasehold lands in the PRC for own used properties were classified as land use right as at 30 June 2019. Upon application of IFRS 16, the land uses right amounting to RMB21,435,000 was reclassified to right-of-use assets.

The following adjustments were made to the amounts recognized in the consolidated statement of financial position at 1 July 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 30 June 2019 RMB'000	Adjustments RMB'000	Carrying amounts under IFRS 16 at 1 July 2019 RMB'000
Non-current assets			
Land use rights	21,435	(21,435)	–
Right-of-use assets	–	21,747	21,747
Current liabilities			
Lease liabilities	–	169	169
Non-current liabilities			
Lease liabilities	–	143	143

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 30 June 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 July 2019 as disclosed above.

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

Amendments to IFRSs that are mandatorily effective for the current year *(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:

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
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 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

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

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

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

4 Effective for annual period beginning on or after 1 January 2020.

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in IFRS Standards, will be effective for annual periods beginning on or after 1 July 2020.

The Directors anticipate that the application of all these new and amendments to IFRSs and Interpretations will have no material impact on the Group's 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. 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 (since 1 July 2019) or IAS 17 (before application 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 is 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 equals the transaction price.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

The carrying value of the cash-generating unit containing the goodwill is compared to the recoverable amount, which is the higher of value-in-use or the fair value less costs of disposal. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 and 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

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 (upon application on or after 1 July 2019 in accordance with transitions in note 3)

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 on or after the date of initial application, 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (upon application on or after 1 July 2019 in accordance with transitions in note 3) *(Continued)*

The Group as a lessee *(Continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (upon application on or after 1 July 2019 in accordance with transitions in note 2) *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities (Continued)

Lessee (prior to 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as land use rights in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

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 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.

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.

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 each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the 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 transfer 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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.

Property, plant and equipment

Property, plant and equipment are tangible assets 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.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on property, plant and equipment, right-of-use assets and intangible assets, other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible 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, right-of-use assets and intangible 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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. 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. 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 a group of cash-generating units) 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 unit or 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.

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).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

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 when there has been a significant increase in credit risk since initial recognition, 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

Despite the a 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.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default 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.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

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.

Financial liabilities

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

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 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

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.

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)*

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.

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

A party is considered to be related to the Company if:

(a) the party is a person or a close member of that person's family and that person

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

(ii) has significant influence over the Company; or

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

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Company 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 Company 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 Company or an entity related to the Company;

(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 Company or to the parent of the Company.

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.

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

Critical judgements in applying accounting policies

Recognition and measurement of Convertible Bonds and warrants

As explained in notes 33 and 35, the Directors considered that the conversion feature of the Convertible Bonds (as defined in note 32) and warrants issued during the year failed the fixed-for-fixed requirement for equity classification as one of the conversion ratio adjustments did not preserve the relative interest between bondholder/warrantholders 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.

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 2020.

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 19. 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.

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 2020, 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 19 and 20, respectively.

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

Key sources of estimation uncertainty *(Continued)*

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. The provision matrix is based on the Group's historical default rates, taking into consideration 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 2020, the provision of ECL is sensitive to changes in estimates. The information about the ECL for trade and other receivables are disclosed in notes 28 and 45.

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 2020, the net carrying value and accumulated impairment losses recognised in respect of the Group's inventories are disclosed in note 26.

Fair values of derivative component of the Convertible Bonds and Warrants

As disclosed in note 33 to the consolidated financial statements, the fair values of derivative component of Convertible Bonds and Warrants at the date of issue and the end of the reporting period were determined using Binomial method. Application of Binomial method requires the Group to estimate the prominent factors affecting their fair values, including but not limited to, the discount rates and the expected volatility of the share prices of the Company. Where the estimation of these factors is different from those previously estimated, such differences will impact the fair value gains or losses on the derivative component in the period in which such determination is made.

As at 30 June 2020, the carrying amounts of the derivative component of the Convertible Bonds and Warrants are disclosed in note 33.

Income tax

The Group operates in the agricultural industry in the PRC, in which income tax exemptions are granted to certain subsidiaries of the Group. There are certain agricultural transactions and calculations for which the ultimate tax determination may be uncertain. The Group recognises income tax expense and related liabilities for anticipated tax issues based on estimates that tax exemption will be granted to the Group on an ongoing basis. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

6. REVENUE FROM CONTINUING OPERATIONS

Disaggregation of revenue from contracts with customers

During the year ended 30 June 2020, 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:

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers from Continuing Operations		
Types of goods		
– Sale of FCOJ and other related products	15,685	27,376
– Sale of Summi Fresh Orange Juice and other products	35,308	29,725
Total	50,993	57,101
Timing of revenue recognition:		
– A point in time	50,993	57,101

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 note 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. 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 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 14.

On 8 April 2019, the Company established a wholly owned subsidiary, Summi (Malaysia) Trading Sdn. Bhd which is mainly engaged in the sale of food and beverage products in South East Asia and thus, the Company had included 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 since the current year ended 30 June 2019.

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 segment from the Continuing Operations and Discontinued Operation are as follows:

Segment revenue, results, 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
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
Change in fair values			18,621
Corporate and other unallocated expenses			(3,898)
Finance costs			(46,020)
Profit before tax from Continuing Operations			315,417

For the year ended 30 June 2020

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

Segment revenue, results, 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
For the year ended 30 June 2019			
Segment revenue			
Continuing Operations			
– Sales to external customers	27,376	29,725	57,101
– Inter-segment sales	3,777	–	3,777
Segment revenue	31,153	29,725	60,878
Elimination			(3,777)
Consolidated revenue from Continuing Operations			57,101
Segment results	(215,218)	(209,862)	(425,080)
Unallocated gains			1,960
Change in fair values			2,355
Corporate and other unallocated expenses			(20,645)
Finance costs			(67,540)
Loss before tax from Continuing Operations			(508,950)

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

Segment revenue, results, assets and liabilities *(Continued)*

	Continuing Operations		Discontinued Operation	
	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	Plantation and Sale of Agricultural Produce Business RMB'000	Total RMB'000
As at 30 June 2020				
Assets and liabilities				
Segment assets	84,820	97,583	N/A	182,403
Corporate and other unallocated assets				7,943
Total assets				190,346
Segment liabilities	6,096	7,507	N/A	13,603
Corporate and other unallocated liabilities				507,650
Total liabilities				521,253
As at 30 June 2019				
Assets and liabilities				
Segment assets	99,622	120,485	21	220,128
Corporate and other unallocated assets				14,425
Total assets				234,553
Segment liabilities	21,052	27,280	–	48,332
Corporate and other unallocated liabilities				847,085
Total liabilities				895,417

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

Segment revenue, results, assets and liabilities *(Continued)*

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 2020				
Amounts included in the measure of segment profit or loss or segment assets:				
Depreciation and amortisation (note 12)	11,354	12,042	155	23,551
Additions to non–current assets (note below)	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
Change 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)*

Other segment information from Continuing Operations *(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	Unallocated RMB'000	Total RMB'000
For the year ended 30 June 2019				
Amounts included in the measure of segment profit or loss or segment assets:				
Depreciation and amortisation (note 12)				
– Property, plant and equipment	17,982	33,518	4,653	56,153
Additions to non-current assets (note below)	1,395	8	8	1,411
Write-off of				
– Property, plant and equipment	25,249	–	–	25,249
– Software	–	778	–	778
Impairment losses recognised in respect of				
– Property, plant and equipment	50,457	68,041	–	118,498
– Intangible assets	33,005	–	–	33,005
– Goodwill	56,696	–	–	56,696
– Trade receivables	–	732	–	732
– Other receivables	–	32,575	–	32,575
Other receivable relating to marketing and promotion activities	–	15,000	–	15,000
Rental deposits for intelligent vending machines	–	17,575	–	17,575
– Inventories	20,607	325	–	20,932
Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or loss assets:				
Bank interest income	–	–	349	349
Interest income from pledged bank deposits	–	–	238	238
Interest income from financial assets at amortised costs	–	–	523	523
Change in fair values	–	–	2,355	2,355
Finance costs	–	–	67,540	67,540
Income tax credit	–	–	9,373	9,373

Note: Non-current assets exclude goodwill.

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

Other segment information 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 and Discontinued Operation 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.

	2020 RMB'000	2019 RMB'000
Revenue arising from Continuing Operations:		
Mainland China	**22,354**	40,529
Hong Kong	**1,131**	1,260
South East Asia	**27,508**	15,312
	50,993	57,101

	2020 RMB'000	2019 RMB'000
Non-current assets located at from continuing and discontinued operations are as follows:		
Mainland China and South East Asia	**159,038**	173,183
Hong Kong	**236**	236
	159,274	173,419

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:

	2020 RMB'000	2019 RMB'000
Sale of FCOJ and other related products	**15,685**	27,376
Sale of Summi fresh orange juice and other products	**35,308**	29,725
	50,993	57,101

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

Information about major customers from continuing and discontinued operations

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

	2020 RMB'000	2019 RMB'000
Customer A[1]	13,709	21,624
Customer B[2, 4]	18,092	–
Customer C[3]	6,604	–

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

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

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

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

8. OTHER INCOME FROM CONTINUING OPERATIONS

	2020 RMB'000	2019 RMB'000
Bank interest income	213	349
Government grants (notes (i) and (ii) below)	5,230	3,876
Interest income from pledged bank deposits	–	238
Interest income from financial assets at amortised costs	–	523
Others	581	850
	6,024	5,836

Notes:

(i) Government grant of RMB1,180,000 (2019: RMB2,360,000) represents deferred income that was amortised during the year, which was granted in respect of supporting the Group's investment in a FCOJ production plant (note 36).

(ii) During the year ended 30 June 2020, government grant of approximately RMB4,050,000 (2019: RMB1,516,000) was immediately recognised as other income for the year as there was no unfulfilled condition or contingencies relating to this subsidy.

9. GAIN FROM LOAN SETTLEMENT AGREEMENT

On 9 December 2019, the Company entered into a loan settlement agreement (the "Loan Settlement Agreement") with certain banks (the "Banks") and pursuant to which, the 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 Banks will be approximately US$20.49 million and the related loan settlement expenses. Upon full settlement, the 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 HK$209 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 Loan Waiver	518,493
Cash payment to the Banks	(146,368)
Liabilities discharged pursuant to the Loan Waiver:	372,125

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

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10. OTHER OPERATING EXPENSES FROM CONTINUING OPERATIONS

	2020 RMB'000	2019 RMB'000
Compensation claim (note below)	–	25,116
Equity-settled share-based payment expenses (note 40)	–	3,513
Losses on disposals of scrap materials	3	851
Others	132	148
	135	29,628

Note: During the year ended 30 June 2019, the Group received a claim in respect of the Group's products with a customer and subsequently, the Group waived receivable from this customer of RMB25,116,000 in settling the claim with this customer and the amount was charged to profit or loss for that year.

11. FINANCE COSTS FROM CONTINUING OPERATIONS

	2020 RMB'000	2019 RMB'000
Interest expenses on corporate bonds	6,475	2,606
Interest expenses on Convertible Bonds	2,905	–
Interest expenses on bank loans	34,293	59,723
Imputed interest expenses	2,340	5,211
Interest on lease liabilities	7	–
	46,020	67,540

12. PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS

Profit (loss) for the year from Continuing Operations has been arrived at after charging (crediting):

	2020 RMB'000	2019 RMB'000
Changes in fair value in respect of:		
– Corporate bonds (note 32(ii))	4,068	–
– Derivative financial instruments – warrants (note 33)	307	–
– Derivative component of Convertible Bonds (note 35)	11,406	–
– Debt component of Convertible Bonds (note 35)	2,840	–
– Other derivative financial instruments	–	2,355
Total changes in fair values	18,621	2,355
Staff costs, including Directors' and chief executive's remuneration		
– Wages, salaries and other benefits	11,886	12,118
– Performance related bonuses	–	609
– Contributions to defined contribution plans	602	2,644
– Redundancy costs (note below)	586	1,381
– Equity-settled share-based payment expenses (note 39)	–	3,513
	13,074	20,265
(Reversal of) impairment losses recognised in respect of:		
– Property, plant and equipment	(1,793)	118,498
– Intangible assets	–	33,005
– Goodwill	–	56,696
– Trade receivables	(817)	732
– Other receivables	–	32,575
Total (reversal of) impairment losses recognised	(2,610)	241,506
Cost of inventories recognised as an expense, including:	43,266	76,801
– (Reversal of) impairment losses recognised in respect of inventories	(5,873)	20,932
– Write-off of inventories	2,258	–
Amortisation and depreciation on:		
– Land use rights	–	555
– Property, plant and equipment	22,803	50,403
– Intangible assets	–	5,195
– Right-of-use assets	748	–
Total amortisation and depreciation	23,551	56,153
Write-off of:		
– Property, plant and equipment	–	25,249
– Software	–	778
	–	26,027
Others:		
Auditor's remuneration	902	783
Net foreign exchange losses	239	559
Short-term lease expenses	17	–
Operating lease charges in respect of rented premises	–	454

Note: During the year ended 30 June 2020, the Directors reviewed the operation and businesses of the Group and owning to human resources optimisation, staff redundancy cost of RMB586,000 (2019: RMB1,381,000) was incurred.

For the year ended 30 June 2020

13. INCOME TAX CREDIT FROM CONTINUING OPERATIONS

	2020 RMB'000	2019 RMB'000
Current income tax:		
Malaysia	–	2
PRC Enterprise Income Tax	–	–
	–	2
Deferred tax (note 34):		
Current year	–	(9,375)
	–	(9,373)

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.

With effect from 1 January 2011, the Company's subsidiaries which are responsible for orange juice production are exempt from EIT on profits from orange juice production, pursuant to Cai Shui [2008] No. 149 issued by the Ministry of Finance of the PRC. Accordingly, from 1 January 2011, certain subsidiaries of the Group in the PRC (i.e. cultivation and selling of self-cultivated fresh oranges and orange juice production) are exempt from EIT, subject to annual review by the local PRC tax authority of the Company's subsidiaries and any future changes in the relevant tax exemption policies or regulations. These subsidiaries obtained the tax exemption from the local PRC tax authority for the years ended 30 June 2020 and 2019.

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

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

13. INCOME TAX CREDIT FROM CONTINUING OPERATIONS *(Continued)*

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

	2020 RMB'000	2019 RMB'000
Profit (loss) before tax from Continuing Operations	315,417	(508,950)
Tax at the domestic income tax rate	48,766	(120,396)
Tax effect of non-deductible expenses	6,083	13,441
Tax effect of non-taxable income	(64,524)	(555)
Tax effect of tax losses not recognised	9,675	98,137
Income tax credit from Continuing Operations	–	(9,373)

Details of deferred tax are set out in note 34.

14. DISCONTINUED OPERATION FROM PLANATION 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 terminate the Plantation and Sale of Agricultural Produce Business segment through Chongqing Bangxing.

The loss for the period from 1 July 2018 to the Date of Deregistration 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 Date of Deregistration RMB'000	Year ended 30 June 2019 RMB'000
Loss for the period/year from Discontinued Operation	(1)	(1,884,093)

The results of the Discontinued Operation for the period from 1 July 2018 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 Date of Deregistration RMB'000	Year ended 30 June 2019 RMB'000
Other income	–	355
Loss from changes in fair value of biological assets less costs to sell	–	(372,124)
Administrative expenses	(1)	(3,287)
Impairment loss in respect of lease prepayments for orange plantations	–	(1,509,037)
Loss before tax	(1)	(1,884,093)
Income tax expenses	–	–
Loss for the period/year from Discontinued Operation	(1)	(1,884,093)

For the year ended 30 June 2020

14. DISCONTINUED OPERATION FROM PLANATION AND SALE OF AGRICULTURAL PRODUCT BUSINESS *(Continued)*

Loss for the period/year from Discontinued Operation include the following:

	1 July 2019 to Date of Deregistration RMB'000	Year ended 30 June 2019 RMB'000
Staff costs, including Directors' and chief executive's remuneration		
– Wages, salaries and other benefits	–	4,688
– Contributions to defined contribution plans	–	80
	–	4,768
Impairment loss recognised in respect of:		
– Lease prepayments for orange plantations	–	1,509,037
Amortisation on:		
– Lease prepayments for orange plantation	–	183,099
Operating lease charge in respect of orange plantations	–	183,099
Less: Operating lease charge recognised in biological assets	–	(183,099)
	–	–
Others:		
Auditor's remuneration	–	–
Loss from changes in fair value of biological assets less costs to sell	–	(372,124)

The cash flow of the Discontinued Operation for the period from 1 July 2018 to the Date of Deregistration, which have been included in the consolidated statement of cash flow, were as follows:

	1 July 2019 to Date of Deregistration RMB'000	Year ended 30 June 2019 RMB'000
Net cash outflows from operating activities	(1)	(23,254)
Net cash outflows from investing activities	–	(604,720)
Net cash (outflows) inflows from financing activities	(20)	142,668
Net cash outflows	(21)	(485,306)

14. DISCONTINUED OPERATION FROM PLANATION AND SALE OF AGRICULTURAL PRODUCT BUSINESS *(Continued)*

As at 30 June 2019, the assets and liabilities of the Discontinued Operation, which have been included in the consolidated statement of financial position, were as follows:

	RMB'000
Non-current assets	
Lease prepayments for orange plantations (see note 22)	–
Current assets	
Biological assets (see note 27)	–
Lease prepayments for orange plantations (see note 22)	–
Cash and cash equivalents	21
	21
Current liabilities	
Balance with Continuing Operations fellow companies	1,636,910
Net current liabilities	(1,636,889)
Total assets less current liabilities	(1,636,889)

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

During the Relevant Period, all of the Chongqing Bangxing's revenue and assets 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 balances as at 1 July 2018, 30 June 2019 and 1 July 2019 and 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.

15. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

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						
Other emoluments	–	–	–	–	–	–
Wages, salaries, bonus and other benefits	–	–	–	–	–	–
Contributions to defined contribution plans	–	–	–	–	–	–
Equity-settled share-based payment expenses	–	–	–	–	–	–
	–	–	–	–	–	–
Total emoluments	–	–	108	108	108	324

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

For the year ended 30 June 2019

	Executive Directors					Independent Non-executive Directors					Non-executive Director	
	Sin Ke (note (1) below) RMB'000	Sin Kwan (note (2) below) RMB'000	Wu Shaohao (note (3) below) RMB'000	Wu Liantao (note (4) below) RMB'000	Zhuang Xueyuan (note (5) below) RMB'000	Zhuang Weidong (note (5) below) RMB'000	Zeng Jianzhong (note (6) below) RMB'000	Kway Sai Hing (note (7) below) RMB'000	Ma Chi Kin (note (8) below) RMB'000	Chen Ying (note (8) below) RMB'000	Tsang Sze Wai, Claudius (note (9) below) 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	–	72	–	–	36	–	20	44	24	24	16	236
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												
Other emoluments	–	–	–	–	–	–	–	–	–	–	–	–
Wages, salaries, and other benefits	–	286	–	–	–	–	–	–	–	–	–	286
Contributions to defined contribution plans	–	–	–	–	–	–	–	–	–	–	–	–
Equity-settled share-based payment expenses	–	–	–	–	–	–	–	–	–	–	–	–
	–	286	–	–	–	–	–	–	–	–	–	286
Total emoluments	–	358	–	–	36	–	20	44	24	24	16	522

Notes:

1. Removed as an executive director, Chief Executive Officer and Chairman of the Board on 23 April 2019

2. Resigned on 12 April 2019

3. Appointed as an executive director on 4 December 2018 and chairman on 23 April 2019

4. Appointed on 4 December 2018

5. Resigned on 9 April 2019

6. Resigned on 31 January 2019

7. Appointed on 31 January 2019

8. Appointed on 9 April 2019

9. Resigned on 9 November 2018

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

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 2020 and 2019.

During the years ended 30 June 2020 and 2019, 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.

16. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals in the Group during the year included nil director (2019: one director) whose emoluments are reflected in the analysis presented in note 15. The emoluments of the five individuals (2019: four individuals) are set out below:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	1,926	1,107
Performance related bonuses	–	609
Equity-settled share-base payment expenses	–	3,513
Contribution to defined contribution plans	53	27
	1,979	5,256

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

	2020 No. of employees	2019 No. of employees
Nil to HK$1,000,000 (equivalent to Nil to RMB902,000) (2019: equivalent to Nil to RMB870,000)	5	2
HK$1,000,001 to HK$1,500,000 (equivalent to RMB902,001 to RMB1,353,000) (2019: equivalent to RMB870,001 to RMB1,305,000)	–	1
HK$1,500,001 to HK$3,000,000 (equivalent to RMB1,353,001 to RMB2,706,000) (2019: equivalent to RMB1,305,001 to RMB2,610,000)	–	1
	5	4

During the years ended 30 June 2020 and 2019, 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.

17. DIVIDENDS

	2020 RMB'000	2019 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 2020 and 30 June 2019.

18. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

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

	2020 RMB'000	2019 RMB'000
Earnings (loss) per share from continuing and discontinued operations		
Profit (loss) for the year from continuing and discontinued operations attributable to the owners of the Company	315,416	(2,383,670)
Less: Loss for the year from discontinued operations	(1)	(1,884,093)
Earnings (loss) for the purpose of basic earnings per share from continuing operations	315,417	(499,577)
Effect of dilutive potential ordinary shares:		
Interest on Convertible Bonds	2,905	–
Earnings (loss) for the purpose of diluted earnings per share from continuing operations	318,322	(499,577)

	2020	2019
Number of shares		
Weighted average number of ordinary shares in issue less shares held under the share award scheme (see note 40) for the purpose of basic earnings (loss) per share	1,347,860,727	1,336,213,527
Effect of dilutive potential ordinary shares:		
– Deemed issue of shares under the Company's share option scheme for nil consideration	–	–
– Warrants	–	–
– Convertible Bonds	134,069,723	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	1,481,930,450	1,336,213,527

The computation of diluted earnings (loss) per share for the years ended 30 June 2020 and 2019 does not assume the exercise of the Company's warrants and options because the exercise price of those warrants and options were higher than the average market price for shares.

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

From Continuing Operations

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

	2020 RMB'000	2019 RMB'000
Earnings (loss) per share from Continuing Operations		
Profit (loss) for the year from continuing and discontinued operations attributable to the owners of the Company for the purpose of basic and diluted earnings (loss) per share	315,417	(2,383,670)
Less: Loss for the year from Discontinued Operation	(1)	(1,884,093)
Profit (loss) for the year from Continuing Operations attributable to the owners of the Company for the purpose of basic and diluted loss per share	315,416	(499,577)

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

From Discontinued Operation

Basic and diluted loss per share for the Discontinued Operation is insignificant (2019: earnings per share of RMB141.00 cent), based on the loss for the year from the Discontinued Operation of RMB1,000 (2019: loss of RMB1,884,093,000) and the denominators used are the same as those detailed above for both basic and diluted loss per share.

19. 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 2018	245,339	342,976	5,438	5,940	–	599,693
Exchange realignment	–	–	37	16	–	53
Additions	–	–	16	–	1,395	1,411
Write-off	(5,200)	(43,834)	(2,596)	–	–	(51,630)
At 30 June 2019 and 1 July 2019	240,139	299,142	2,895	5,956	1,395	549,527
Exchange adjustments	–	–	39	16	–	55
Additions	–	73	355	–	6,058	6,486
At 30 June 2020	240,139	299,215	3,289	5,972	7,453	556,068
Accumulated depreciation and impairment						
At 1 July 2018	70,974	174,962	4,103	4,954	–	254,993
Exchange realignment	–	–	23	7	–	30
Provided for the year	12,747	36,701	672	283	–	50,403
Impairment loss recognised	89,962	28,536	–	–	–	118,498
Eliminated on write-off	(3,723)	(20,488)	(2,170)	–	–	(26,381)
At 30 June 2019 and 1 July 2019	169,960	219,711	2,628	5,244	–	397,543
Exchange realignment	–	–	31	16	–	47
Provided for the year	6,054	16,225	188	336	–	22,803
Impairment loss reversed	(1,793)	–	–	–	–	(1,793)
At 30 June 2020	174,221	235,936	2,847	5,596	–	418,600
Carrying values						
At 30 June 2020	65,918	63,279	442	376	7,453	137,468
At 30 June 2019	70,179	79,431	267	712	1,395	151,984

19. 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 2020, the Group has not obtained the building ownership certificate for buildings with carrying value of approximately RMB3,120,000 (2019: RMB3,432,000) 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 2020, the carrying value of the Group's property, plant and equipment of approximately RMB54,333,000 (2019: RMB67,164,000) was pledged as security for the Group's borrowings are as set out in note 31.

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. During the year ended 30 June 2019, the Group's business environment turned to be difficult and there was changes in the management team during the year, the operating result of the Group's businesses and operations were seriously affected. The Group carried out a review of the existing conditions and the recoverable amounts of the Groups' buildings, plant and the related equipment. As at 30 June 2019, the Directors identified certain assets of the Group are either operating under a less than normal capacity or becomes idle at end of the reporting period. During the year, the Directors consider to cease and terminate its intelligent vending machines operation which was relating to the Product and Sale of Summi Fresh Orange Juice and Other Products Business segment and thus, the related plant and equipment amounted to RMB25,249,000 was written-off during the year. Further, as at 30 June 2019, the Group's property, plant and equipment with an aggregate carrying amount of RMB260,674,000 for 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 are identified impaired and the respective recoverable amounts were assessed based on their estimated fair value less costs of disposal of the items of property, plant and equipment.

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.

19. 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 RMB817 to RMB1,723 (2019: RMB923 to RMB1,182) 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 RMB1,330 to RMB2,119 (2019: RMB1,385 to RMB1,750) 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 RMB956 to RMB2,380 (2019: RMB1,000 to RMB1,659) 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 RMB1,867 to RMB2,560 (2019: RMB1,000 to RMB1,923) 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 2020, bases on the impairment assessment, an impairment loss on property, plant and equipment of RMB1,793,000 was reversed (2019: RMB118,498,000 was recognised).

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

Particulars regarding to impairment testing on the Group's property, plant and equipment are disclosed in note 25.

For the year ended 30 June 2020

20. LEASE

(i) Right-of-use assets

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
Carrying amount			
As at 30 June 2020	21,677	129	21,806
As at 1 July 2019, upon the application of IFRS 16	21,435	312	21,747
For the year ended 30 June 2020			
Depreciation			748
Expense relating to short-term leases and other leases with lease terms end within 12 months			17
Total cash outflow for leases			497
Additions to right-of-use assets			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 2020, the carrying value of the Group's right-of-use assets of approximately RMB7,124,000 were pledged as security for the banking facilities granted to the Group as set out in note 31.

The Group regularly entered into short-term leases for staff quarters and warehouse. As at 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.

20. LEASE *(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 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 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 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 RMB195 to RMB352 per sqm.
One leasehold land located in Hunan Huaihua Chenzhou	Value in use calculation	Discount rate of 17%. The cash flows beyond five years period are extrapolated using a steady annual growth rate of 3% at the 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.

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

Particulars regarding to impairment testing on the Group's right-of-use assets on leasehold lands are disclosed in note 25.

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20. LEASE *(Continued)*

(ii) Lease liabilities

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

	31 December 2020 RMB'000	1 January 2020 RMB'000
Amount analysed as:		
– Non-current	131	169
– Current	498	143
	629	312

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

As at 30 June 2020, lease obligations that are denominated in Hong Kong dollars are RMB131,000.

During the year ended 30 June 2020, the Group entered into a new lease in respect of leasehold land and recognised lease liabilities of RMB798,000.

21. LAND USE RIGHTS

	RMB'000
Cost	
At 1 July 2018 and 30 June 2019	27,041
Accumulated depreciation and impairment	
At 1 July 2018	5,051
Provided for the year	555
At 30 June 2019	5,606
Carrying value	
At 30 June 2019	21,435

The Group's land use rights relate to lands located in the PRC which are held under medium-term lease.

At 30 June 2019, the carrying value of the Group's land use rights of approximately RMB9,021,000 were pledged as security for the banking facilities granted to the Group as set out in note 31.

The Group's land use rights are mainly attributable to 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 Directors conducted a review on their land use rights and no impairment loss was recognised during the year ended 30 June 2019.

The recoverable amounts of the land use right 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 land use rights.

For the year ended 30 June 2020

21. LAND USE RIGHTS *(Continued)*

Below is a summary of the value technique used and the key inputs to the valuation of the Group's land use rights that are comparable transactions nearby the Group's land use rights for the impairment assessment as at 30 June 2019:

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 was around RMB135 per sqm.
One 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 RMB225 to RMB226 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 RMB60 to RMB68 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 RMB240 to RMB273 per sqm.

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

The fair value measurement hierarchy of such land use rights requires certain significant unobservable inputs (Level 3 fair value measurements).

Particulars regarding to impairment testing on the Group's land use rights are disclosed in note 25.

Upon application of IFRS 16, the land use rights was reclassified to right-of-use assets at 1 July 2019. Comparative information is not restated.

22. LEASE PREPAYMENTS FOR ORANGE PLANTATIONS

	2019 RMB'000
At 1 July 2018	1,087,416
Additions (note (i) below)	604,720
Amortisation (note (ii) below)	(183,099)
Impairment loss (note (iii) below)	(1,509,037)
At 30 June 2019, 1 July 2019 and 30 June 2020	–

The Group's lease prepayments for orange plantations represent long-term rentals under operating leases for orange farms in the PRC through Chongqing Bangxing, a wholly owned subsidiary of the Company.

Notes:

(i) The amount represented the long-term rentals payments paid to the local communities of plantations during the year ended 30 June 2019.

(ii) The amount represented the amortised charge which was charged to the cost of the biological assets cultivation costs for the year ended 30 June 2019.

(iii) As described in note 2(i):

(a) The management of the Company decided to terminate the Plantation and Sale of Agricultural Produce Business segment which is an indication that the relevant assets related to the Orange Plantations are impaired. In view of that, the management of the Company has carried out an impairment review on the relevant assets relating to the Orange Plantations, such as the lease prepayments for orange plantations.

(b) The Group had disputes with the local communities of plantations and the Directors consider that: (i) the Group was unable to assess and consider the conditions of the orange plantations; and (ii) the Group was impossible to harvest any fresh orange. In view of these conditions and circumstances, the Directors engaged an independent external valuer, Royson to consider the recoverable amount of the lease prepayments for orange plantations. Based on the report received from Royson, the Directors are in the opinion that the Orange Plantations will be no longer generate any economic benefits to the Group in the near future and accordingly, full impairment of RMB1,509,037,000 in respect of the lease prepayments for orange plantations was charged to the profit or loss for the year ended 30 June 2019.

Particulars regarding to impairment testing on the Group's lease prepayments for orange plantations are disclosed on note 25.

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 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 believes that, as at the date of this annual report, it is almost impossible, and not practical, to ascertain the balances as at 1 July 2018, 30 June 2019 and 1 July 2019 and 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 impairment loss recognised during the year, etc. for inclusion in the consolidation financial statements of the Group.

For the year ended 30 June 2020

23. GOODWILL

	RMB'000
Cost	
At 1 July 2018, 30 June 2019, 1 July 2019 and 30 June 2020	56,696
Impairment	
At 1 July 2018	–
Impairment loss recognised	56,696
At 30 June 2019, 1 July 2019 and 30 June 2020	56,696
Carrying values	
At 30 June 2020	–
At 30 June 2019	–

On 9 November 2011, the Group acquired entire equity interests in Global One Management Limited ("Global One") and its subsidiaries (collectively referred as the "Global One Group"), and goodwill of approximately RMB56,696,000 was attributable to the cash-generating unit that comprises the Production and Sale of FCOJ and Other Related Products Business segment.

During the year ended 30 June 2019, the Group's businesses and operations for its Production and Sale of FCOJ and Other Related Products Business segment recorded a significant decrease of sales from RMB361,461,000 in 2018 to RMB27,376,000 in 2019. Further, the Group had a restructuring for its business and operations and further, the Global One Group lost certain major customers and there was significant decline in its businesses and operations. In view of these circumstances, the management of the Company carried out a review of the recoverable amount of the Group's goodwill. Based on the assessment, a full provision in respect of the Group's goodwill was recognised during the year ended 30 June 2019.

Particulars regarding to impairment testing on the Group's goodwill are disclosed in note 25.

24. INTANGIBLE ASSETS

	Customer list RMB'000	Customer relationship RMB'000	Software RMB'000	Total RMB'000
Cost				
At 1 July 2018	82,390	43,660	2,000	128,050
Write-off	–	–	(2,000)	(2,000)
At 30 June 2019 and 1 July 2019	82,390	43,660	–	126,050
Write-off	(82,390)	(43,660)	–	(126,050)
At 30 June 2020	–	–	–	–
Accumulated depreciation and impairment				
At 1 July 2018	44,884	43,660	528	89,072
Provided for the year	4,501	–	694	5,195
Elimination on write-off	–	–	(1,222)	(1,222)
Impairment loss recognised	33,005	–	–	33,005
At 30 June 2019 and 1 July 2019	82,390	43,660	–	126,050
Elimination on write-off	(82,390)	(43,660)	–	(126,050)
At 30 June 2020	–	–	–	–
Carrying values				
At 30 June 2020	–	–	–	–
At 30 June 2019	–	–	–	–

The above intangible assets have finite useful lives. Such intangible assets are amortised at the following rates per annum on a straight-line basis:

Customer list	6.67%
Customer relationship	6.67%
Software	33.33% to 33%

The Group's customer list is mainly attributable to the acquisition of the Global One Group in November 2011 which had been allocated to Production and Sale of FCOJ and Other Related Products Business segment upon acquisition. As the significant decline in the businesses and operations of the Production and Sale of FCOJ and Other Related Products Business segment from RMB361,461,000 in 2018 to RMB27,376,000 in 2019, the Global One Group lost certain major customers in 2019. Thus, Directors consider that the Group's intangible assets in respect of the customer list will not contribute any significant revenue to the Group in the near further and accordingly, a full impairment loss of RMB33,005,000 in respect of the customer list was recognised during the year ended 30 June 2019.

The Group's software was mainly attributable to its lease of the placement of intelligent vending machines operation. In view of the changes in the new management team, the Group decided to cease and terminate its intelligent vending machines operation and thus, the Group written-off the entire amount of software during the year ended 30 June 2019.

Particulars regarding impairment testing on the Group's customer list are disclosed in note 25.

25. IMPAIRMENT ASSESSMENTS

Impairment of property, plant and equipment, right-of-use assets/land use rights and customer list

The Group assesses whether there are any indicators of impairment for property, plant and equipment, right-of-use assets/land use rights and customer list 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 to 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.

During the year ended 30 June 2020

As at 30 June 2020, 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 RMB1,793,000 was reversed (2019: impairment loss of RMB118,498,000 was recognised) in respect of the Group's property, plant and equipment for the year ended 30 June 2020. No impairment loss was recognised in respect of the Group's right-of-use assets during the year ended 30 June 2020.

During the year ended 30 June 2019

During the year ended 30 June 2019, the Group's two continuing business segments, Production and Sale of FCOJ Business and Other Related Products Business segment and Production and Sale of Summi Fresh Orange Juice and Other Products Business segment recorded a significant decline in sales by approximately of 89% to approximately RMB57,101,000 from approximately RMB547,713,000 in last year, especially the revenue of the Group's Production and Sale of FCOJ Business and Other Related Products Business was decreased from RMB361,461,000 in 2018 to RMB27,376,000 for the current year. In view of the decrease in the businesses and operations of the Group, the management of the Company carried out a review of the recoverable amounts of the property, plant and equipment, land use rights and customer list during the financial year ended 30 June 2019, with reference to valuation performed by an independent external valuer, Royson Valuation Advisory Ltd ("Royson"), an independent qualified professional valuer not connected with the Group, who has among its staff members of the Hong Kong Institute of Surveyors.

25. IMPAIRMENT ASSESSMENTS *(Continued)*

Impairment of property, plant and equipment, right-of-use assets/land use rights and customer list *(Continued)*

As at 30 June 2020, with reference to the valuation conducted by Royson, the management reviewed the recoverable amounts of the property, plant and equipment, land use rights and customer list after taking into account of (i) certain of the Group's former key personnel and management left from the Group and also certain of its major customers of the Group suspended the purchase from the Group, it was uncertain whether there might have further decline in the Group's businesses and operations in the coming years; (ii) the sluggish of the Group's market might cause further decline in purchase orders from the customers in the near future, especially the Production and Sale of FCOJ Business and Other Related Products Business segment; and (iii) it was uncertain for the successful of the Group's Business and Operation Restructuring Plan as mentioned above. The Directors estimated that there might have significant decline in the present value of the estimated future cash flow, the anticipated cash flow to be generated from the future use of the assets would be uncertain which are lower than their fair values less cost of disposals.

Based on the assessment, the recoverable amounts of the Group's property, plant and equipment and customer list were determined based on their fair values less cost of disposals, which were lower than their carrying amounts and thus impairment losses of RMB118,498,000 and RMB33,005,000 (2018: Nil) were recognised for the year ended 30 June 2019, respectively. No impairment loss was recognised in respect of the Group's right-of-use assets during the year (2019: nil).

Impairment of goodwill

Impairment of goodwill (during the year ended 30 June 2019)

The Group's goodwill was mainly attributable to the acquisition of the Global One Group (as defined in note 23 above) in respect of the Production and Sale of FCOJ and Other Related Products Business segment.

During the year ended 30 June 2019, the management of the Company carried out a review on the recoverable amount of the goodwill, with reference to a valuation performed by Royson. The carrying value of the cash-generating unit containing the goodwill was compared to the recoverable amount, which was the higher of value-in-use or the fair value less costs of disposal.

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit. The key assumptions for the value-in-use calculations are those regarding the sales volume, gross profit margin and discount rates. The sales volume and gross profit margin are based on past performances and expectations developments in the market. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to their industry.

The Group's value-in-use calculations used cash flow forecasts derived from the most recent financial budgets approved by management covering a five year-period. Cash flows beyond the five-year period were extrapolated using estimated growth rate of 3%, which does not exceed the average long-term growth rate for the relevant industry. The pre-tax rate used to discount the cash flow forecasts was 17.5%.

Based on the assessment of the management of the Company, an impairment loss in respect of the Group's goodwill amounted to RMB56,696,000 was recognised during the year ended 30 June 2019 to the extent that the carrying amount exceeded its recoverable amounts based on the best estimate by the management.

For the year ended 30 June 2020

25. IMPAIRMENT ASSESSMENTS *(Continued)*

Impairments of lease prepayments for orange plantations (during the year ended 30 June 2019)

The Group's lease prepayments for orange plantations represent long-term rentals under operating leases for orange farms in the PRC in respect of the Group's Plantation and Sale of Agricultural Produce Business segment. The management of the Company regularly reviews the recoverability of the Group's lease prepayments for orange plantations with reference to its intended use and current market environment. Impairment of lease prepayments for orange plantations are recognised in profit or loss when there is objective evidence that the asset is impaired. In determining whether impairment of lease prepayments for orange plantations is required, the Group takes into consideration the operating lease agreements entered into by the Group and the current market environment to project cash flows expected to be received through the harvest of the orange and sale of the agricultural produce. Impairment loss is recognised in the period in which the recoverable amount is less than its carrying amount.

As described in note 2(i), the management of the Company decided to terminate the Plantation and Sale of Agricultural Produce Business segment which was an indication that the relevant assets related to the Orange Plantations were impaired. In view of that, the management of the Company has carried out an impairment review on the relevant assets relating to the Orange Plantation, i.e. the lease prepayments for orange plantations, with reference to valuation performed by Royson.

In view of that, the Directors consider that the orange plantations will be no longer generate any economic benefits to the Group in the near future and accordingly, full impairment loss in respect of the lease prepayments for orange plantations amounted to RMB1,509,037,000 was recognised during the year ended 30 June 2019 to the extent that the carrying amounts exceeded its recoverable amounts based on the best estimate by the management.

26. INVENTORIES

	2020 RMB'000	2019 RMB'000
Consumables and packing materials	**1,338**	4,310
Summi fresh orange juice	**10,916**	6,780
FCOJ	**18,598**	31,850
Others	**30**	–
	30,882	42,940
Less: Impairments	**(15,059)**	(20,932)
	15,823	22,008

27. BIOLOGICAL ASSETS

	RMB'000
At 1 July 2018	169,119
Increase due to cultivation (note (i) below)	203,005
Loss from changes in fair value less cost to sell (note (ii) below)	(372,124)
At 30 June 2019, 1 July 2019 and 30 June 2020	–

The above represents the movements in biological assets, representing oranges before harvest, before harvest in respect of the Orange Plantations for the Group, through Chongqing Bangxing, a wholly owned subsidiary of the Company.

Notes:

(i) The amounts represented the additional of cultivation costs incurred during the year ended 30 June 2019, including fertilisers, pesticides, labour costs, orange farm rental costs and amortisation for lease prepayments for orange planation, etc.

(ii) The Directors measured the fair value of oranges at harvest based on market prices as at or close to the harvest dates and the amount will be charged or credited to the consolidated statement of profit or loss and other comprehensive income as "loss from change in fair value less cost to sell" for the year ended 30 June 2019.

As explained in note 2(i), the Group had disputes with the local communities of plantations, the Directors considered that: (i) the Group was unable to assess and consider the conditions of the orange plantations; and (ii) the Group was impossible to harvest any fresh orange. The Directors were in the opinion that the Orange Plantations will be no longer generate any economic benefits to the Group in the near future and accordingly, loss from changes in fair value less cost to sell of RMB372,124,000 was charged to the profit or loss for the year ended 30 June 2019 in accordance with the accounting policy of the Company as set out in note 4.

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 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. Further, the Directors considered that the Group was unable to assess and consider the conditions of the Orange plantation and thus, they believed that, as at the date of report, it is almost impossible, and not practical, to ascertain the reasonableness in respect of the movements of biological assets, including the loss from changes in fair value less cost to sell of the biological assets which was charged to the profit or loss for the year ended 30 June 2019 for inclusion in the consolidation financial statements of the Group.

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28. TRADE AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables (note (i) below)	2,629	19,984
Less: allowance for credit losses	–	(732)
	2,629	19,252
Other receivables		
– Other receivable relating to marketing and promotion activities (note (ii) below)	–	15,000
– Others	3,006	4,881
	3,006	19,881
Less: allowance for credit losses	–	(15,000)
	3,006	4,881
Others (note (iii)):		
– Rental deposits for intelligent vending machines (note (iii) below)	–	17,575
– Other deposits	1,179	122
– Prepayments	1,593	2,263
	2,772	19,960
Less: allowance for credit losses	–	(17,575)
	2,772	2,385
Total trade and other receivables	8,407	26,518

28. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes:

(i) Included in trade receivables of RMB1,821,800 (2019: Nil) and RMB Nil (2019: RMB2,500,000) were amounts due from related companies which held by Mr. Wu Shaohao and Wu Liantao ("Mr. Wu"), directors of the Company, respectively.

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 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.

	2020 RMB'000	2019 RMB'000
0 to 30 days	17	12,990
31 to 60 days	131	5,247
61 to 90 days	257	1,015
Over 90 days	2,224	–
	2,629	19,252

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

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

	2020 RMB'000	2019 RMB'000
As at 1 July	732	–
(Reversal of) impairment losses recognised	(817)	732
Exchange adjustments	85	–
As at 30 June	–	732

Details of the assessment on expected credit losses are set out in note 45.

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28. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(ii) As at 30 June 2019, the amount of RMB15,000,000 represented the other receivable relating to refund of early termination of the marketing and promotion activities which was paid in 2017. During the year ended 30 June 2019, the Directors consider that the Group could not recover the amount from the third party and thus, the amount was fully charged to profit or loss during the year ended 30 June 2019 and was written off during the year ended 30 June 2020.

(iii) As at 30 June 2019, the amount of RMB17,575,000 represented the rental deposits in relation to the lease of the placement of intelligent vending machines. In view of the changes on the new management team, the Directors decided to close down the leasing of the intelligent vending machines operations. 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 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	2019 RMB'000
As at 1 July	32,575	–
Impairment losses recognised	–	32,575
Write-off	(32,575)	–
As at 30 June	–	32,575

(iv) 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.

29. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2020 RMB'000	2019 RMB'000
Cash and cash equivalents	6,842	4,364
Pledged bank deposits to secure interest-bearing bank borrowings	–	8,244
Less: Current portion of pledged bank deposits	–	(8,244)
Non-current portion of pledged bank deposits	–	–

Bank balances carry interest at market rates which range from 0.001% to 0.33% (2019: 0.001% to 0.33%) per annum. The pledged deposits carry fixed interest rate ranging from 0.22% to 2.3% per annum as at 30 June 2019. The pledged bank deposits were released upon the settlement of relevant bank borrowings.

Pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group. As at 30 June 2019, deposits amounting to RMB8,244,000 have been pledged to secure short-term bank borrowings and were therefore classified as current assets. During the year ended 30 June 2020, the bank borrowings were fully settled and thus, the pledged deposits were released thereon.

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.

30. TRADE AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables	6,850	21,214
Payables for acquisition of property, plant and equipment	3,546	2,997
Accrued sales commission	4,006	3,939
Other tax payables	7,947	10,217
Accrued staff costs	963	1,724
Interest payables	11,354	22,456
Amount due to a director (note below)	42,625	14,830
Other payables and accruals	6,817	8,741
	84,108	86,118

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

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

	2020 RMB'000	2019 RMB'000
0–90 days	678	21,214
Over 365 days	6,172	–
	6,850	21,214

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 (2019: 90 to 150 days).

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31. BORROWINGS

	2020 RMB'000	2019 RMB'000
Bank borrowings (note (i) below)	171,007	668,237
Other borrowings (note (ii) below)	103,191	99,700
	274,198	767,937
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	171,007	767,937
Within a period of more than two years but not exceeding five years	103,191	–
	274,198	767,937
The carrying amount of borrowings that are become immediately due and payable due to breach of loan covenants and was shown under current liabilities (note (i) below)	(132,821)	(630,237)
	141,377	137,700
Less: Amounts due within one year shown under current liabilities	(38,186)	(137,700)
Amounts shown under non-current liabilities	103,191	–

	2020 RMB'000	2019 RMB'000
Analysed as:		
– Secured	81,942	150,256
– Unsecured	192,256	617,681
	274,198	767,937
Analysed as:		
– Fixed-rate borrowings	141,142	129,695
– Variable-rate borrowings	133,056	638,242
	274,198	767,937
Borrowings held by		
– PRC companies	149,642	164,696
– Non-PRC companies	124,556	603,241
	274,198	767,937

31. BORROWINGS *(Continued)*

Notes:

(i) Details of the bank borrowings

As at 30 June 2020

As at 30 June 2020, the Group's bank borrowings amounted to RMB171,007,000. Out of which, the Group's bank borrowings with an amount of RMB132,821,000 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.

During the year ended 30 June 2020, a 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 bank borrowings and accrued interest due to the bank were RMB16,866,000 and RMB1,953,000, respectively. The Directors are still negotiating with the bank to restructure the loan and the accrued interest.

As explained in note 9, on 9 December 2019, the Company entered into the Loan Settlement Agreement with the Banks and pursuant to which, an amount of RMB482,348,000 due to the Banks was settled through the Loan Settlement Agreement.

As at 30 June 2019

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) (2018: US$80,000,000 (equivalent to approximately RMB530,826,000)) for the purpose of general working capital. The facility was jointly guaranteed by the Company's former director, Mr. Sin, 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) was 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) was repayable on maturity date on 8 August 2019 so that approximately RMB274,185,000) was classified as non-current liabilities as at 30 June 2018.

On 28 February 2019, a demand letter was sent by the bank (the "Demand Letter") to the Group. It was stated in the Demand Letter 2019, inter alia, that: (1) as at 18 February 2019 (inclusive), outstanding principal amount of the loans in the sum of US$17,075,000 (equivalent to RMB117,043,000) and unpaid accrued interest in the sum of US$469,000 (equivalent to RMB3,214,826) were due and owing by the Company to the bank under the Facility Agreement and (2) the bank, pursuant to the Facility Agreement, demands for immediate payment of the outstanding principals, accrued interest, and all other amounts accrued or outstanding under the Facility Agreement which were due and owing to the bank.

As at 30 June 2019, bank borrowing amounted to HK$18,501,000) (equivalent to approximately RMB16,320,000) were guaranteed by its PRC subsidiaries.

As at 30 June 2019, bank borrowings of RMB10,000,000 were jointly guaranteed by a key management personnel and its PRC subsidiaries.

As at 30 June 2019, the Group's total bank and other borrowings was RMB767,937,000, out of which, the borrowings of the Group with an aggregate amount of RMB630,237,000 were overdue and/or in breaching the clauses of the loan agreements with the lenders and thus, the respective lenders are eligible to request the Group to repay the borrowings immediately.

As at 30 June 2019, the Group's financial assets measured at cost, certain property, plant and equipment and land use rights and pledged bank deposits were pledged as security for the Group's bank and other borrowings and the banking facilities granted to the Group and details of which are set out in respective notes.

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31. BORROWINGS *(Continued)*

Notes: *(Continued)*

(ii) Details of the other borrowings

As at 30 June 2020

As at 30 June 2020, two individuals, Party A and Party B, granted loans with total amounts of RMB36,400,000 and RMB66,791,000 to the Company, respectively. Party B is a director of a subsidiary of the Group.

As at 30 June 2019

As at 30 June 2019, unsecured other borrowings of RMB28,900,000 was provided by Party A with interest rate at 12% per annum which were repayable within one year.

As at 30 June 2019, two secured other borrowings of RMB20,000,000 and RMB50,800,000 were provided by Party A and Party B, respectively with interest rate at 12% per annum which was repayable within one year.

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:

	2020	2019
Fixed-rate bank loans borrowings	4.35%–6.50%	3.62%–6.53%
Variable-rate bank loans borrowings	4.04%–6.96%	2.63%–7.00%
Fixed-rate other loans borrowings	0.00%–12.00%	12.00%

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

	2020 RMB'000	2019 RMB'000
US$	75,519	558,166

32. CORPORATE BONDS

	2020 RMB'000	2019 RMB'000
Carrying amounts repayable based on scheduled repayment dates set out in the agreements:		
After two years but within five years	76,393	19,539
Over five years	19,536	19,391
	95,929	38,930
Analysed as:		
– Current liabilities	42,748	38,930
– Non-current liabilities	53,181	–
	95,929	38,930

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32. 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
		157,000				157,000

* 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.

32. CORPORATE BONDS *(Continued)*

(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 RMB46,492,000) (2019: HK$51,000,000 (equivalent to approximately RMB44,819,000)). They were issued at a fixed interest rate of 4.5% or 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% (2019: 7.15%) per annum. The aggregate carrying values of the corporate bonds were RMB42,748,000 (2019: RMB38,930,000).

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 2020 and 30 June 2019.

(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 35) at the principal amount of HK$74 million; and (iii) 148,715,040 warrants (the "Rui Er Warrants", see note 33) 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", see note 33) at the warrant subscription price of HK$0.04 per Individuals Warrants.

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.

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32. CORPORATE BONDS *(Continued)*

(ii) 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.

The movements of the corporate bonds issued to Controlling Shareholder are as follows:

	Bond VII RMB'000
On initial recognition	53,630
Effective interest expenses	4,161
Waiver of interest	(536)
Adjustment pursuant to Bonds Interest Waiver Agreement recognised in profit or loss	(4,068)
Exchange difference	(6)
Balance as at 30 June 2020	53,181

32. CORPORATE BONDS *(Continued)*

(ii) Bonds issued to Controlling Shareholder *(Continued)*

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.

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 was RMB53,630,000, 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 for the current year.

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.

33. DERIVATIVE FINANCIAL INSTRUMENTS

	2020 RMB'000	2019 RMB'000
Warrant	9,517	—
Derivative component of convertible bonds (note 35)	18,493	—
	28,010	—

Pursuant to the Subscription Agreement and Warrant Subscription Agreement, 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.

The principal terms of the Rui Er Warrants and Individuals Warrants (collectively are referred to as the "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.

33. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

The movements of the Warrants for the year are set out as below:

	Rui Er Warrants RMB'000	Individuals Warrants RMB'000	Total RMB'000
On initial recognition	4,404	5,423	9,827
Changes in fair values	(137)	(170)	(307)
Exchange difference	(2)	(1)	(3)
Balances at 30 June 2020	4,265	5,252	9,517

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.

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%

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34. DEFERRED TAX LIABILITIES

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

	Intangible assets RMB'000	Undistributed retained profits of PRC subsidiaries RMB'000	Total RMB'000
At 1 July 2018	9,375	1,250	10,625
Credited to profit or loss	(9,375)	–	(9,375)
At 30 June 2019 and 1 July 2019	–	1,250	1,250
Credited to profit or loss	–	–	–
At 30 June 2020	–	1,250	1,250

At 30 June 2020, the Group has unused tax losses of approximately RMB 18,375,000 (2019: RMB14,762,000) 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.

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 2020 and 2019, 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 2020, deferred tax liabilities of RMB1,250,000 (2019: 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 RMB1,385,755,000 (2019: RMB1,385,755,000) have not been recognised at 30 June 2019, 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 2019 will not be distributed in the foreseeable future.

35. CONVERTIBLE BONDS

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.

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35. CONVERTIBLE BONDS *(Continued)*

The movements of the debt and derivative components of the Convertible Bonds for the year 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
Exchange adjustments	(4)	(120)	(124)
Effective interest expenses	2,905	–	2,905
Fair value change	–	(11,406)	(11,406)
Waiver of interest	(374)	–	(374)
Adjustment pursuant to CB Interest Waiver Agreement	(2,840)	–	(2,840)
Balance at 30 June 2020	37,127	18,493	55,620

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 bond have been separately accounted for. The embedded derivatives concerned referred to the conversion right and early redemption rights of the convertible redeemable bond exercisable by the 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.

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%

35. CONVERTIBLE BONDS *(Continued)*

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%

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36. DEFERRED INCOME

	RMB'000
At 1 July 2018	3,540
Amortised during the year	(2,360)
At 30 June 2019 and 1 July 2019	1,180
Amortised during the year	(1,180)
At 30 June 2020	–

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.

37. 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 2018, 30 June 2019 and 30 June 2020	3,000,000,000	30,000	26,376
Issued and fully paid			
As at 1 July 2018, 30 June 2019 and 30 June 2020	1,347,860,727	13,479	11,610

There were no movements of the Company's share capital during the year ended 30 June 2020 and 30 June 2019.

38. 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 capital reserve of the Group at 30 June 2020 and 2019 comprises the following:

- 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.
- The fair value of the actual or estimated number of share options granted to employees of the Group recognised in accordance with the accounting policy adopted for share-based payments in note 4.
- 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 note 32 and 35, 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 40. The carrying amount of the shares held as at the year end was presented as a deduction against equity.

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.

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39. 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 18 November 2008, the Company granted 39,000,000 share options with a subscription price of HK$0.75 per share to certain qualified participants, all of whom were full-time employees of the Group.

On 11 October 2009, the Company granted 10,000,000 share options with a subscription price of HK$0.90 per share to an employee of the Group.

On 4 January 2013, the Company granted 62,400,000 share options with a subscription price of HK$1.15 per share to certain qualified participants.

On 21 March 2013, the Company granted 57,200,000 share options with a subscription price of HK$1.03 per share to certain qualified participants.

39. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

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 specific categories 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
18 November 2008 ("2008 Option")	39,000,000	HK$0.75	1 year from grant date	31.3	17 November 2018
			2 years from grant date	31.3	
			3 years from grant date	37.4	
11 October 2009 ("2009 Option")	10,000,000	HK$0.90	On the grant date	30.0	10 October 2019
			1 year from grant date	30.0	
			2 years from grant date	40.0	
4 January 2013 ("2013 Option 1")	62,400,000	HK$1.13	On the grant date	100.0	3 January 2014
21 March 2013 ("2013 Option 2")	57,200,000	HK$1.03	On the grant date	100.0	20 March 2015
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	
Total options granted	222,600,000				

The following table discloses movements of the Company's share options during the year ended 30 June 2020:

Option type	Outstanding at 1 July 2019	Granted during the year	Cancelled 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

39. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The following table discloses movements of the Company's share options during the year ended 30 June 2019:

Option type	Outstanding at 1 July 2018	Granted during the year	Cancelled during the year	Outstanding at 30 June 2019
2015 Option				
Executive directors	6,000,000	–	(6,000,000)	–
Employee	48,000,000	–	(38,150,000)	9,850,000
	54,000,000	–	(44,150,000)	9,850,000
Exercisable at the end of the year	54,000,000	–	(44,150,000)	9,850,000
Weighted average exercise price	HK$1.11	–	–	HK$1.11

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.

During the year ended 30 June 2019, the Group recognised equity-settled share-based payment expenses of RMB3,513,000 in relation to share options granted by the Company. During the year ended 30 June 2019, the Group transferred an amount of RMB14,093,000 to accumulated losses upon the cancellation of 44,350,000 share options during the year. No movements of the Company's share options during the year ended 30 June 2020.

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.

40. 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.

During the year ended 30 June 2017, the trustee acquired 1,936,000 ordinary shares of the Company for the Scheme through purchases in the open market, at a total cost, including related transaction costs, of HK$1,000,000 (equivalent to approximately RMB856,000).

19,412,000 shares were granted to Eligible Participants during the year ended 30 June 2019 and thus, an aggregate amount of RMB3,513,000 was charged to profit or loss for that year.

There are no movement of the shares held under share award scheme during the year ended 30 June 2020.

41. 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.

The total expense recognised in profit or loss of approximately RMB602,000 from Continuing Operations (2019: RMB2,724,000 (representing RMB2,644,000 from Continuing Operations and RMB80,000 from Discontinued Operation)) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

42. 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 RMB2,192,000) and the Group has already made a full provision for such claim during the year ended 30 June 2019 and 2020.

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.

43. OPERATING LEASES

The Group as lessee

	2019 RMB'000
Minimum lease payments paid under operating leases during the year	454

As at 30 June 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019 RMB'000
Within one year	192
In the second to fifth years inclusive	144
Over five years	–
	336

As at 30 June 2019, operating lease payments represent rentals payable by the Group for certain of its staff quarter and office properties. Leases are negotiated for an average term of 2 years.

44. 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.

45. FINANCIAL INSTRUMENTS

a) Categories of financial instruments

	2020 RMB'000	2019 RMB'000
Financial assets		
Financial assets at amortised cost	13,656	39,126
Financial liabilities		
Derivative financial instruments	28,010	–
Other financial liabilities at amortised cost	491,991	892,985

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.

45. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

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.

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	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
US$	**612**	8,244	**78,519**	672,282
MYR	**1,145**	12,653	**887**	14,788
	1,757	20,897	**79,406**	687,070

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	651	651
	(1)	(651)	(651)
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.

45. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(b) Interest risk

The Group is exposed to fair value interest rate risk in relation to derivative financial instruments, pledged bank deposits, 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 (2019: 100 basis points) in interest rates, with all other variables held constant, would decrease/increase (2019: decrease/increase) the Group's profit after tax and retained profits by approximately RMB1,527,000 (2019: RMB6,056,000) 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 (2019: 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 2019.

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 2020 and 2019, 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.

45. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(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 17% and 71% respectively (2019: 77% and 21%) of the total trade receivable as at 30 June 2020.

The Group has concentration of credit risk as 69% (2019: 21%) and 99% (2019: 80%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the Production and Sale of FCOJ and Other Related Products segment.

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

As at 30 June 2020, the Group had net current liabilities of RMB294,934,000 (2019: RMB831,853,000) and a deficiency of shareholders' equity of RMB330,907,000 (2019: RMB660,864,000). Further, as at 30 June 2020, the Group's borrowings including borrowings, Convertible Bonds and corporate bonds were RMB407,254,000. Out of which, as at 30 June 2020, the Group's borrowings amounted to RMB213,755,000 will be 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 (excluding the cash flows of Chongqing Bangxing) prepared by the management of the Company. The cash flow projections cover a period of not less than twelve months from 30 June 2020. 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 2020. 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.

45. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(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 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 bands (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

	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 2019						
Non-derivative financial liabilities						
Trade and other payables	86,118	–	–	–	86,118	86,118
Borrowings	781,572	21,871	–	–	803,443	767,937
Corporate bands (note below)	2,623	2,623	13,411	40,629	59,286	38,930
	870,313	24,494	13,411	40,629	948,847	892,985

Note: As described in note 32, 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 all its corporate bonds to third parties as current liabilities as at 30 June 2020 and 30 June 2019.

45. FINANCIAL INSTRUMENTS *(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 assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

	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.

(ii) Reconciliation of Level 3 fair value measurements

	Derivative component in relation to the convertible bonds issued by the Group 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)	(11,712)
Exchange difference	(120)	(3)	(124)
At 30 June 2020	18,493	9,517	28,010

Changes in fair values for the period included in profit or loss related to financial liabilities held at the end of the current reporting period and included in the line-item "Changes in fair values".

46. 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 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 30)	22,456	(21,418)	34,293	(24,503)	–	–	–	526	11,354
Amount due to a director (note 30)	14,830	27,795	–	–	–	–	–	–	42,625
Derivative financial instruments (note 28)	–	39,846	–	–	(11,713)	–	–	(123)	28,010
Lease liabilities (note 20)	312	(497)	7	–	–	798	–	9	629
Borrowings (note 31)	767,937	(171,103)	–	(347,622)	–	–	–	24,986	274,198
Debt component of Convertible Bonds (note 35)	–	37,440	2,905	–	(2,840)	–	(374)	(4)	37,127
Corporate bonds (note 32)	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

	1 July 2018 RMB'000	Financing cash flows RMB'000	Finance costs incurred RMB'000	Foreign exchange movements RMB'000	30 June 2019 RMB'000
Interest payables (note 30)	1,627	(35,488)	56,090	227	22,456
Amount due to a director (note 30)	–	14,830	–	–	14,830
Borrowings (note 31)	892,932	(158,090)	8,844	24,251	767,937
Corporate bonds (note 32)	36,043	(1,147)	2,606	1,428	38,930
	930,602	(179,895)	67,540	25,906	844,153

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47. RELATED PARTY TRANSACTIONS AND BALANCES

(i) Transaction with related parties

Other than those disclosed elsewhere in these consolidated financial statements, the Group entered into the following transactions with related parties:

	Trade sales	
	2020	2019
	RMB'000	RMB'000
Sales of goods to related companies held by a director (note below)	5,589	5,724
Imputed interest payable to Controlling Shareholder on:		
– corporate bonds	4,161	–
– Convertible Bonds	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 the shareholder of these related companies. These companies are distributors of the Group which earn margin of not more than 5%.

(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 2020 and 30 June 2019.

(iii) Compensation of key management personnel

	2020	2019
	RMB'000	RMB'000
Wages, salaries and other benefits	1,790	2,107
Contribution to defined contribution plans	52	52
Equity-settled share-based payments	–	–
	1,842	2,159

The remuneration of Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

48. NON-MAJOR CASH TRANSACTION

Other than the matter described in note 9 in respect of the gain from loan settlement agreement, the Group did not have any major non-cash transaction during the year.

49. 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:

	2020 RMB'000	2019 RMB'000
Property, plant and equipment	54,333	67,164
Land use rights	–	9,021
Right-of-use assets	7,124	–
Pledged bank deposits	–	8,244
	61,457	84,429

50. 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
				2020		2019		
				Direct %	Indirect %	Direct %	Indirect %	
Sunshine Vocal Limited	Ordinary shares	The BVI	US$100,000	100	–	100	–	Investment holding in Hong Kong
Rich Anges Limited	Ordinary shares	The BVI	US$1	100	–	100	–	Investment holding in Hong Kong
Potel Limited	Ordinary shares	Hong Kong	HK$1	–	100	–	100	Investment holding in Hong Kong
Manwell (China) Limited	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	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	–	60	–	60	Not yet commence business

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50. 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
				2020		2019		
				Direct %	Indirect %	Direct %	Indirect %	
森美（福建）食品有限公司 Summi (Fujian) Food Co. Limited* ("Summi Fujian") (note (a) 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) 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) 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) 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) 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) and (f) below)	Contributed capital	The PRC	RMB2 million	–	–	–	100	Sale of fresh oranges in the PRC
廈門晨毅商貿有限公司 Xiamen Chenyi Trading Co., Ltd.* (note (b) 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) below)	Ordinary shares	The BVI	US$50,000	–	100	–	100	Investment holding

50. 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
				2020		2019		
				Direct %	Indirect %	Direct %	Indirect %	
Rui Er Summi Hong Kong (note (d) below)	Ordinary shares	Hong Kong	HK$10,000	–	100	–	100	Dormant
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 (g) below)	Contributed capital	The PRC	HK$200 million	–	100	–	100	Manufacturing and selling of Summi fresh orange juice in the PRC

* *English translation of company name is for identification purpose only.*

Notes

a. Wholly owned foreign enterprises

b. Companies incorporated as private limited liability companies in the PRC

c. The entity was incorporated on 15 February 2019

d. The entity was incorporated on 19 February 2019

e. The entity was incorporated on 8 April 2019

f. 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

g. The company was incorporated on 27 May 2019.

For the year ended 30 June 2020

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2020 RMB'000	2019 RMB'000
Non-current assets		
Property, plant and equipment	106	233
Investments in subsidiaries	–	–
Amounts due from subsidiaries	–	–
	106	233
Current assets		
Other receivables	1,121	202
Pledged bank deposits	–	8,244
Cash and cash equivalents	2,825	2,428
	3,946	10,874
Current liabilities		
Other payables	7,992	27,585
Borrowings	124,556	603,243
Amounts due to subsidiaries	137,469	167,920
Corporate bonds	42,748	38,930
Derivative financial instruments	28,010	–
	340,775	837,678
Net current liabilities	(336,829)	(826,804)
Total assets less current liabilities	(336,723)	(826,571)
Non-current liabilities		
Borrowings	53,181	–
Convertible bonds	37,127	–
	90,308	–
Net liabilities	(427,031)	(826,571)
Capital and reserves		
Share capital	11,610	11,610
Reserves	(438,641)	(838,181)
Deficiency of shareholders' equity	(427,031)	(826,571)

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(Continued)

The movement of the Company's reserves during the year ended 30 June 2019 and 2020 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 2018	453,671	19,167	(14,672)	9,557	(254,283)	213,440
Loss for the year	–	–	–	–	(1,050,650)	(1,050,650)
Other comprehensive expense for the year – Exchange differences arising on translation of foreign operations	–	–	–	(4,484)	–	(4,484)
Total comprehensive expense for the year	–	–	–	(4,484)	(1,050,650)	(1,055,134)
Equity-settled share-based payments (note 39)	–	(14,093)	3,513	–	14,093	3,513
As at 30 June 2019 and 1 July 2020	**453,671**	**5,074**	**(11,159)**	**5,073**	**(1,290,840)**	**(838,181)**
Profit 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 expense for the year	–	–	–	**(578)**	**356,208**	**355,630**
Equity-settled share-based payments (note 38b)	–	**43,910**	–	–	–	**43,910**
As at 30 June 2020	**453,671**	**48,984**	**(11,159)**	**4,495**	**(934,632)**	**(438,641)**

52. EVENTS AFTER THE REPORTING PERIOD

Other than those disclosed elsewhere in these consolidated financial statements, the Group had the following significant event after the reporting period:

COVID-19

Upon the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. As at the date of these financial statements were authorised to issue, the related impact on the consolidated results of operations, cash flows and financial conditions of the Group could not be reasonably estimated at this stage and will be reflected in their consolidated interim financial information for the six months ending 31 December 2020 and consolidated financial statements for the year ending 30 June 2021. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

Five Years Financial Summary

For the year ended 30 June 2020

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 2020 RMB'000	Year ended 30 June 2019 RMB'000	Year ended 30 June 2018 RMB'000	Year ended 30 June 2017 RMB'000	Year ended 30 June 2016 RMB'000
Revenue	**50,993**	57,101	661,721	604,286	581,273
Profit (loss) for the year	**315,416**	(2,383,670)	11,562	67,483	62,870

Assets and liabilities

	As at 30 June				
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Total assets	**190,346**	234,563	2,722,809	2,739,415	2,307,505
Total liabilities	**521,253**	895,417	978,618	1,004,216	627,055