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

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO  
THE ANNUAL REPORT OF THE COMPANY FOR  
THE YEAR ENDED 30 JUNE 2020**

The board (the “**Board**”) of directors (the “**Directors**”) of Summi (Group) Holdings Limited (the “**Company**”) and, together with its subsidiaries, the “**Group**”) makes this announcement further to its annual report for the year ended 30 June 2020 (the “**2020 Annual Report**”). Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the 2020 Annual Report.

**ADDITIONAL INFORMATION IN RELATION TO THE AUDIT QUALIFICATIONS**

Reference is made to the 2020 Annual Report of the Company in relation to, among other matters, the disclaimer opinion by the Yongtuo Fuson CPA Limited (“**Yongtuo Fuson**”), who is the auditor of the Company, in relation to (i) opening balances and corresponding figures for the year ended 30 June 2020 (the “**Audit Qualification I**”); (ii) insufficient audit evidence in respect of opening and closing balances and transactions 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, and non-compliance with International Financial Reporting Standards and omission of disclosures (the “**Audit Qualification II**”) and; (iii) material uncertainty relating to going concern (the “**Audit Qualification III**”).

The board would like to provide the following additional information to the 2020 Annual Report regarding the Audit Qualification I, Audit Qualification II and Audit Qualification III.

## Audit Qualification I and Audit Qualification II

The financial information of Chongqing Bangxing was set out in note 14 to the financial statements of the Company in the 2020 Annual Report.

As set out in the announcements dated 16 April 2019, 3 May 2019, 26 June 2019 and 30 July 2019, the Group's negotiation with the local farmers were unsuccessful. As a result, in June 2019, the Group terminated its plantation business in Chongqing. 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 to sub-lease the Orange Plantations to other third parties and thus, the management of the Company considered that the Orange Plantations will no longer generate any economic benefits to the Group in the near future. The Group also sought legal opinion on the enforceability and legal risks in relation to the contracts with the local farmers and in view of the unfavorable position of the Group, the management has put the legal actions against the local farmers on hold. On the other hand, the management of the Group has engaged an independent financial advisor to investigate the land improvement projects spent during the Reporting Period.

Further, Mr. Sin has also ceased to be the chairman, the chief executive officer and executive director of the Company on 23 April 2019. Since Mr. Sin was the main contact person between the Company and the Orange Plantations in respect of the Group's Plantation and Sale of Agricultural Produce Business through a wholly-owned subsidiary of the Company, Chongqing Bangxing, the Group has taken measures in order to access the Orange Plantations such as visiting the Orange Plantations and communicating and negotiating with the local communities of plantations.

However, after the missing 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 has 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 "**Termination Date**"), the Company decided to terminate the business of Chongqing Bangxing and deregistration of Chongqing Bangxing was completed on 4 November 2019.

Because of the loss of certain accounting records and documents of Chongqing Bangxing and the fact that the Group was unable to contact Mr. Sin 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 announcement, it is almost impossible, and not practical, to ascertain the balances as at 1 July 2018, 30 June 2019 and 1 July and

the transactions during the Relevant Period (as defined in the 2020 Annual Report) 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.

The Company's auditors, Yongtuo Fuson advised that they 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. Other than the 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 during the Relevant Period, Yongtuo Fuson were also unable to ascertain the complete and sufficient to establish an accurate and reliable view of the historical transactions, trading and financial position of Chongqing Bangxing during the Relevant Period included in the consolidated financial statements of the Company for the year ended 30 June 2020. Thus, Yongtuo Fuson issued the Audit Qualification I and Audit Qualification II.

### **In relation to Audit Qualification III**

As set out in the announcement dated 10 December 2019, the Company 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 "**Loan Settlement Agreement**").

The agreement was duly completed on 31 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. As at 30 June 2020, the borrowings of the Group with an aggregate amount of approximately RMB132,821,000 were overdue and/or in breaching of the clauses of the respective loan agreements (the "**Original Agreement**").

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

In addition, the Directors have taken the measures to improve the Group's financial position which include, but are not limited to, the following:

- (i) The Group continue to take active measures to control operation and administrative costs through various channels, including but not limited to (i) having production and human resources optimisation and adjustments, (ii) reorganising the structure to each segment and maintaining close communication with suppliers, customers and banks, etc. (iii) committing to soliciting for new customers and exploring overseas markets to support the substantiable development of principle business of the Group; and (iv) containment of capital expenditures etc.; and
- (ii) The Group is now actively in the process of negotiating with various banks, other financial institutions, third parties and related parties to raise short-term or long-term financing to the Group (the “**Additional Funding Plan**”). The Additional Funding Plan includes the active negotiation with certain banks under the Loan Restructuring Agreement to refinance and enlarge the bank facilities to support the Group's future expansion plan in China. However, due to the COVID-19, the movement between China and Taiwan is restricted which hindered the process of the negotiation. The management of the Company expects that, subject to the development of the COVID-19, progress will be made before the end of 2020.

#### **The view of the management of the Company and the Audit Committee of the Company**

The management of the Company concurs with the View of Yongtuo Fuson and the audit committee of the Company confirms that they agrees with the view of Yongtuo Fuson in relation to the Audit Qualification I, Audit Qualification II and Audit Qualification III.

The Company confirms that the Audit Qualification I and II will be removed in the Company's financial statements for the year ending 30 June 2021 and only audit qualification on the corresponding figures will be remained as the deregistration procedures of Chongqing Bangxing was completed on 4 November 2019 and the financial information of Chongqing Bangxing has been derecognised from the Group's consolidated financial statements subsequently.

The Company further confirms that, after the execution of the Loan Restructuring Agreement, the net current liabilities were reduced by approximately by RMB116 million to approximately RMB146 million. The management of the Company expects the Additional Funding Plan will sustain the Group's future development plan. As such, the management expects that the modification will be removed for the year ending 30 June 2021.

## **DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

Reference is made to the 2020 Annual Report of the Company in relation to, among others, the corporate governance report in relation to the Board responsibilities and delegation.

The board would like to supplement that the following information:

The Board is aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. As at 30 June 2020, the Company had net current liabilities of approximately RMB295 million and an accumulated deficit of RMB331 million.

As set out in the announcement dated 10 December 2019, the Company 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 "**Loan Settlement Agreement**"). The agreement was duly completed on 31 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. As at 30 June 2020, the borrowings of the Group with an aggregate amount of approximately RMB132,821,000 were overdue and/or in breaching of the clauses of the respective loan agreements (the "**Original Agreement**").

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

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

The Additional Funding Plan includes the active negotiation with certain banks under the Loan Restructuring Agreement to refinance and enlarge the bank facilities to support the Group's future expansion plan in China. However, due to the COVID-19, the movement between China and Taiwan is restricted which hindered the process of the negotiation. The management of the Company expects that, subject to the development of the COVID-19, progress will be made before the end of 2020. As a result of the Loan Settlement Agreement and the Loan Restructuring Agreement, the Group's total bank borrowings have been reduced by approximately RMB464 million and the amount of approximately RMB116 million have been extended as a non-current liabilities. The management of the Company also expects the Additional Funding Plan will sustain the Group's future development plan.

The Board confirmed that the above additional information does not affect other information contained in the 2020 Annual Report.

By Order of the Board  
**Summi (Group) Holdings Limited**  
**Lee Kwok Lun**  
*Company Secretary*

Hong Kong, 25 November 2020

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