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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

	2018	2017	Change%
	RMB'000	*RMB'000*	(Approximately)
Consolidated statement of profit or loss and other comprehensive income			
Revenue	**661,721**	604,286	9.5%
Gross profit	**223,797**	212,379	5.4%
Gross profit margin	**33.8%**	35.1%	(1.3pp)
EBITDA	**113,076**	154,793	(26.9%)
Profit for the year	**11,562**	67,483	(82.9%)
Basic EPS *(RMB cents)*	**0.87**	5.08	(82.9%)
Proposed final dividend *(HK cents per share)*	—	1.5	—
Consolidated statement of financial position			
Bank balances and cash	**521,487**	655,699	(20.5%)
Inventories	**57,131**	56,330	1.4%
Trade receivables	**168,505**	123,341	36.6%
Bank loans	**892,932**	931,870	(4.2%)
Net assets value	**1,744,191**	1,735,199	0.5%

The board (the "Board") of directors (the "Directors") of Summi (Group) Holdings Limited (the "Company") is pleased to announce the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 30 June 2018 (the "Reporting Period"). The consolidated financial statements of the Group have been reviewed by the audit committee of the Company (the "Audit Committee") and audited by SHINEWING (HK) CPA Limited, the independent auditor of the Company, in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

BUSINESS REVIEW AND PROSPECT

The Group is principally engaged in manufacturing and selling of Summi fresh orange juice, frozen concentrate orange juice ("FCOJ") and its related products and fresh oranges. The Group has a total of five highly efficient production plants which are strategically located in major citrus growing areas (Chongqing, Fujian and Hunan) of China. The Group adopts an integrated business model and is one of the few orange juice processors operating its own upstream orange plantations. During the year, in spite of the competitive pressure, the Group has continued performing stably by virtue of the high-quality products and source management.

During the Reporting Period, the Group continued to advance work in the three business segments, wherein due to the changes in international FCOJ market, the sales of FCOJ have recorded encouraging improvement during the year, which provided guarantee for profits of the Group. On the other hand, the Group has put resources in promotion of Summi Fresh Orange Juice. During the year, sales of Summi Fresh Orange Juice increased substantially. Although the segment result of Summi Fresh Orange Juice was disappointing, the trend is encouraging as the market gradually recognised the "Summi" brand as a market leader in not-from-concentrate orange juice products. The Group will continue developing the orange plantation business according to the standard of Sustainable Agriculture Guiding Principles ("SAGP"), so as to make the fresh oranges we produce maintain the top quality level.

Breakdown of revenue by product for the years ended 30 June 2018 and 2017 are set out as follows:

	2018		2017	
	RMB'000	***Percentage of total revenue***	*RMB'000*	*Percentage of total revenue*
Summi fresh orange juice	**186,252**	**28.1%**	135,064	22.3%
FCOJ and related products	**361,461**	**54.6%**	345,460	57.2%
Fresh oranges	**114,008**	**17.3%**	123,762	20.5%
	661,721	**100.0%**	604,286	100.0%

Summmi fresh orange juice

Breakdown of sales volume in respect of the Summi fresh orange juice sector for the years ended 30 June 2018 and 2017 are set out as follows:

	2018	2017
	Sales volume Calculated in 1,000 Cartons	*Sales volume Calculated in 1,000 Cartons*
1.75L carton	**652**	475
1L carton	**2,163**	1,478
300ml carton	**12,181**	8,905
	14,996	10,858

For the current year, the Group is optimising the sales network of Summi fresh orange juice. The Group continuously expanding the sales network nationwide. Furthermore, the Group has launched the new sales channels by setting auto-vending machines in hospitals, airports, metro-rail stations in major cities in China. As at 30 June 2018, the Group operated more than 1,000 auto vending machines and sales generated from the auto vending machines amounted to approximately RMB19,000,000. As at the end of this year, the Group has established approximately 5,000 sales points of different channels in Mainland China and Hong Kong, mainly in venues with high spending powers such as high-end super-markets, convenience stores, theaters and wedding banquets. Compared to the last year, for the current year the Group is enhancing the sales efforts and striving to create more sales points, so the shipments of Summi fresh orange juice increased by approximately 38.1% from approximately 10,858,000 cartons for the last year to approximately 14,996,000 cartons for the current year, while the sales amount increased by 37.9% from RMB135,064,000 for the last year to RMB186,252,000 for the current year.

FCOJ and related products

Breakdown of revenue by products in respect of the FCOJ and related products for the years ended 30 June 2018 and 2017 are set out as follows:

	2018		2017	
	Approximate metric tonnes	***RMB'000***	*Approximate metric tonnes*	*RMB'000*
FCOJ	**10,954**	**189,365**	14,267	195,563
Orange Pulp	**21,510**	**172,096**	17,610	147,735
Orange Fibre and others	**—**	**—**	2,021	2,162
	32,464	**361,461**	33,898	345,460

The sales of the Group's FCOJ and related products included FCOJ, orange pulp, orange fibre and other related products. During the year, as the major places of origin for FCOJ worldwide, such as Florida in the USA and Brazil were affected by the ongoing low harvest volume of local fresh oranges, leading to the supply shortage of global FCOJ. Benefiting from this, notwithstanding that the sales volume of FCOJ decreased from approximately 14,267 tonnes for the last year to approximately 10,954 tonnes for the current year, while the sales volume decreased by approximately 23.2% but with the significant increase in average selling price, resulting the sales amount decreased by approximately 3.2% from approximately RMB195,563,000 for the last year to approximately RMB189,365,000 for the current year. The Group predicts that the supply shortage worldwide will continue of time, which will bring certain positive influence on the FCOJ business.

On the other hand, as the domestic retailing market had increasing demand for fruit juice drinks containing fruit grains this year, orange pulp, as the major raw materials, has recorded continuous increase in both the sales volume and selling price. The sales volume increased by 22.1% from approximately 17,610 tonnes for the last year to approximately 21,510 tonnes for the current year, while the sales amount increased by approximately 16.5% from approximately RMB147,735,000 for the last year to approximately RMB172,096,000 for the current year.

Fresh Oranges and Plantations

The Group operates approximately 146,000 mu (equivalent to approximately 97.3 km^2) of orange plantations with orange trees in Kaizhou, Chongqing, and the oranges harvested from these plantations are used for selling as premium fresh oranges or as raw materials for producing Summi fresh orange juice and FCOJ and related products by the Group according to their grades. During the Reporting Period, the Group's plantations of approximately 70,000 mu entered the trial production phase and harvested a small amount of fresh oranges, but the unstable weather in Chongqing last year affected the overall output of the plantations, so the output of fresh oranges for the current year failed to hit a sustainable growth. The Group was awarded, in December 2016, a certificate of SAGP from a world leading beverage company for the orange plantation providing fresh oranges to produce frozen concentrate orange juice to the abovementioned company. The accreditation signified that the Group's agricultural practice complies with the stringent requirement for maintaining sustainable supply of healthy agricultural ingredients, in an environmental-friendly manner, to the international beverage giant.

The Group is the one of the leading orange juice suppliers in the world certified for compliance requirements of SAGP stipulated by the above-mentioned beverage giant. The Group believes that such accreditation will benefit us to enhance the long-term relationship with this major customer.

During the Reporting Period, the total volume of the fresh oranges harvested by the Group was approximately 145,780 tonnes, representing an increase of approximately 10.9% as compared with approximately 131,413 tonnes for the last year and of which approximately 45,063 tonnes (2017: approximately 51,567 tonnes) of fresh oranges with superior quality were sold directly to local agricultural wholesalers. During the Reporting Period, the average selling price of premium fresh oranges was approximately RMB2,500 per tonne, representing an increase of approximately 4.2% as compared with approximately RMB2,400 per tonne for the last year. The market price of fresh oranges floats every year, but we notice that the selling price of premium fresh oranges has shown an upward trend over the past five years. The Group thus believes that the selling price of premium fresh oranges will continue rising.

Output of fresh oranges

The Group operates orange plantations and (i) the lower grade oranges are used as raw materials for producing FCOJ and related products; (ii) higher grade oranges are used as raw materials for producing Summi fresh orange juice; and (iii) the premium grade oranges are sold directly to the local agricultural wholesalers. In addition to using the self-operated plantations grown fresh oranges, the Group also purchases fresh oranges from independent third parties, mainly individual local farmers, to produce FCOJ and its related products. The volume of fresh oranges growing from the self-operated plantations and the volume of purchased fresh oranges for the years ended 30 June 2018 and 2017 are set out as follows:

	2018 *Approximate tonnes*	2017 *Approximate tonnes*
Output of fresh oranges from self-operated orange plantations		
— Fresh oranges for sale	**45,063**	51,567
— Producing Summi fresh orange juice	**27,888**	20,474
— Producing FCOJ and related products	**72,829**	59,372
	145,780	131,413
Purchases of fresh oranges for producing FCOJ and related products	**114,757**	121,681
Total consumption of fresh oranges	**260,537**	253,094

Gross profit

During the Reporting Period, the Group's gross profit increased by approximately 5.4% to approximately RMB223,797,000 as compared to approximately RMB212,379,000 for the last year. The gross profit margin of the Group decreased to approximately 33.8% (2017: 35.1%), which slightly decreased as compared with the previous year.

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

Gain from changes in fair value of biological assets less costs to sell ("biological assets gain") represents the net increase of fair value of the oranges when the Group's oranges become mature and are harvested. During the Reporting Period, the Group's biological assets gain was approximately RMB59,004,000 (2017: approximately RMB67,908,000). The biological assets gain has been included as part of cost of inventories and realised as expenses during the year.

Selling, distribution costs and administrative expenses

Selling and distribution costs of the Group are mainly comprised of marketing expenses such as costs of free tasting, promotion events costs and transportation costs. Attributable to the Group's greater efforts in promoting Summi Orange Juice during the year, the selling and distribution costs increased from approximately RMB84,053,000 for the last year to approximately RMB134,443,000 for the Reporting Period.

The Group's administrative expenses mainly included general office administrative expenses, salaries, amortisation, etc. The administrative expenses decreased from approximately RMB97,129,000 for the last year to approximately RMB76,320,000 for the Reporting Period.

Other operating expenses

During the Reporting Period, the Group's other operating expenses were approximately RMB6,752,000 (2017: approximately RMB8,955,000). Such expenses were mainly attributable to the amortisation of the expenses for staff's share options.

Finance costs

During the Reporting Period, the Group's finance costs were approximately RMB50,759,000 (2017: approximately RMB42,268,000). As the majority of the Group's borrowings bear interest calculated using the USD interbank interest rate, the effective finance costs of the Group have increased due to the interest rate hikes of the United States during the Reporting Period.

Tax expenses and tax rate

The Group has been granted PRC enterprise income tax exemption for its orange juice processing business since 1 January 2011. As the Group has already been exempted from PRC enterprise income tax for its fresh orange cultivation and sales of fresh orange business, the Group has not been subject to any PRC enterprise income tax of its business since 1 January 2011. Most of the Group companies' business is exempted from the PRC enterprise income tax for the Reporting Period.

Net profit

During the Reporting Period, the Group's net profit decreased by approximately 82.9% to approximately RMB11,562,000 as compared to approximately RMB67,483,000 for the last year.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL STRUCTURE

Held-to-maturity investment

As at 30 June 2018, held-to-maturity investment amounted to approximately RMB16,918,000 (2017: approximately RMB17,372,000).

Liquidity

As at 30 June 2018, current assets amounted to approximately RMB1,265,652,000 (2017: approximately RMB1,268,271,000). Current liabilities were approximately RMB667,118,000 (2017: approximately RMB393,859,000).

Financial resources

As at 30 June 2018, the Group had cash and cash equivalents and pledged bank deposits of approximately RMB521,487,000 (2017: approximately RMB655,699,000) and approximately RMB191,730,000 (2017: approximately RMB201,238,000) respectively and total bank loans of approximately RMB892,932,000 (2017: approximately RMB931,870,000).

As at 30 June 2018, trade receivables were approximately RMB168,505,000 (2017: approximately RMB123,341,000) and inventories were approximately RMB57,131,000 (2017: approximately RMB56,330,000).

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.

	2018	2017
Quick ratio (x)	**1.6**	2.8
Current ratio (x)	**1.9**	3.2
Gearing ratio *(note (a))*	**53.2%**	54.6%

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

Capital structure

As at 30 June 2018, the total number of issued shares was 1,347,860,727 shares. Based on the closing price of HK$0.78 per share as at 30 June 2018, the Company's market capitalisation as at 30 June 2018 was HK$1,051,331,367.

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 the following assets to banks to secure banking facilities granted to the Group:

	2018 *RMB'000*	2017 *RMB'000*
Held-to-maturity investment	**16,918**	17,372
Property, plant and equipment	**47,632**	57,078
Land use rights	**9,272**	9,523
Pledged bank deposits	**191,730**	201,238
	265,552	285,211

CONTINGENT LIABILITIES

As at 30 June 2018, the Group had no material contingent liabilities (2017: nil).

CAPITAL EXPENDITURE

During the Reporting Period, the Group's capital expenditure amounted to approximately RMB186,834,000 (2017: approximately RMB262,200,000) 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 2018, the Group employed 932 employees (2017: 902 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 audited financial information for the year ended 30 June 2018 together with the comparative figures for the year ended 30 June 2017 is as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Notes	**2018** **RMB'000**	2017 *RMB'000* (Restated)
Revenue	*5*	**661,721**	604,286
Cost of sales		**(437,924)**	(391,907)
Gross profit		**223,797**	212,379
Gain from changes in fair value of biological assets less costs to sell		**59,004**	67,908
Other revenue	*6*	**6,351**	6,511
Net realised and unrealised (loss) gain on derivative financial instruments		**(10,168)**	12,652
Selling and distribution expenses		**(134,443)**	(84,053)
Administrative expenses		**(76,320)**	(97,129)
Other operating expenses	*7*	**(6,752)**	(8,955)
Profit from operations		**61,469**	109,313
Finance costs	*8*	**(50,759)**	(42,268)
Profit before tax	*9*	**10,710**	67,045
Income tax credit	*10*	**852**	438
Profit for the year attributable to owners of the Company		**11,562**	67,483
Other comprehensive income (expense) for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**11,076**	(3,186)
Total comprehensive income for the year attributable to owners of the Company		**22,638**	64,297
Earnings per share	*12*		
– Basic *(RMB cents)*		**0.87**	5.08
– Diluted *(RMB cents)*		**0.87**	5.08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2018

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Non-current assets			
Property, plant and equipment		**344,700**	318,578
Land use rights		**21,990**	22,545
Lease prepayments for orange plantations		**977,875**	977,012
Goodwill		**56,696**	56,696
Intangible assets		**38,978**	42,007
Held-to-maturity investment		**16,918**	17,372
Derivative financial instruments		**—**	12,652
Deposit paid for acquisition of property, plant and equipment		**—**	9,840
Pledged bank deposits		**—**	14,442
		1,457,157	1,471,144
Current assets			
Inventories		**57,131**	56,330
Biological assets		**169,119**	99,310
Lease prepayments for orange plantations		**109,541**	111,362
Derivative financial instruments		**2,986**	–
Trade receivables	*13*	**168,505**	123,341
Other receivables, deposits and prepayments		**45,153**	35,433
Pledged bank deposits		**191,730**	186,796
Cash and cash equivalents		**521,487**	655,699
		1,265,652	1,268,271
Current liabilities			
Trade payables	*14*	**5,727**	16,130
Other payables and accruals		**28,726**	22,939
Bank loans		**631,640**	354,708
Derivative financial instruments		**960**	–
Income tax payable		**65**	82
		667,118	393,859
Net current assets		**598,534**	874,412
Total assets less current liabilities		**2,055,691**	2,345,556

	Notes	**2018**	2017
		RMB'000	*RMB'000*
Non-current liabilities			
Bank loans		**261,292**	577,162
Corporate bonds		**36,043**	15,544
Deferred income		**3,540**	5,900
Deferred tax liabilities		**10,625**	11,751
		311,500	610,357
Net assets		**1,744,191**	1,735,199
Capital and reserves			
Share capital	*15*	**11,610**	11,610
Reserves		**1,732,581**	1,723,589
Total equity		**1,744,191**	1,735,199

1. GENERAL

Summi (Group) Holdings Limited (formerly known as "Tianyi (Summi) Holdings Limited") (the "Company") 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 Key Wise Group Limited, a company incorporated in the British Virgin Islands (the "BVI").

Pursuant to a special resolution passed at the annual general meeting held on 24 October 2017, the English name of the Company was changed from "Tianyi (Summi) Holdings Limited" to "Summi (Group) Holdings Limited" and the Chinese name of the Company was changed from "天溢（森美）控股有限公司" to "森美（集團）控股有限公司". The "Certificate of Incorporation on Change of Name" was issued by the Registrar of Company in the Cayman Islands on 30 November 2017.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in plantation and sale of agricultural produce, production and sale of frozen concentrated orange juice ("FCOJ") and other related products and production and sale of Summi 100% freshly squeezed orange juice ("Summi fresh orange juice").

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

The Group did not meet the repayment schedule of certain bank loans in the amount of United States dollars ("US$") 20,000,000 (equivalent to approximately RMB132,706,000) subsequent to 30 June 2018 in accordance with the terms and conditions of a facility agreement (the "Facility Agreement") entered into among the Company and a group of banks (the "Participating Banks") in respect of the bank loans with a principal amount of US$80,000,000 (equivalent to approximately RMB530,826,000) (the "Facility").

The above condition indicates the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

Up to the date of approval for issuance of the consolidated financial statements, the Group has already repaid US$5,000,000 (equivalent to approximately RMB33,176,000) and obtained consents of the Participating Banks to extend the repayment of the remaining US$15,000,000 (equivalent to RMB99,530,000) to 31 October 2018 and would not call for immediate repayment of the remaining sum of the loan.

The Directors are of the opinion that, taking into account the consents of the Participating Banks and cash flow forecast of the Group for a period covering not less than twelve months from 30 June 2018 prepared by the Directors, 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 2018. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

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

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

Amendments to IFRSs	Annual Improvements to IFRSs 2014 – 2016 Cycle: Amendment to IFRS 12
Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

Except as described below, the application of the other new and revised 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 the consolidated financial statements.

Amendments to IAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The application of amendments to IAS 7 has resulted in additional disclosures on the Group's financing activities, especially a reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities is provided. On initial application of the amendments, the Group is not required to provide comparative information for preceding periods. Apart from the additional disclosure, the Directors considered that these amendments have had no impact on the Group's consolidated financial statements.

New and revised IFRSs issued 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 9 (2014)	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2014 – 2016 Cycle[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015 – 2017 Cycle[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IAS 19	Employee Benefits[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IAS 40	Transfers of Investment Property[1]
IFRIC Int 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC Int 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective date not yet been determined.

The Directors anticipate that, except as described below, the application of the other new and revised IFRSs will have no material impact on the results and the financial position of the Group.

IFRS 9 (2014) Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, IFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of IFRS 9 was issued in 2014 to incorporate all the requirements of IFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of IFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of IFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of IFRS 9 (2014) to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 (2014) requires that 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 presented 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. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in IAS 39 for the recognition of credit losses. Under the impairment approach in IFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- IFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, IFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under IAS 39, it is necessary to exhibit eligibility and compliance with the requirements in IAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for IAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

IFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The Directors have performed a preliminary analysis of the Group's financial instruments as at 30 June 2018 based on the fact and circumstances existing at that date. The Directors have assessed the impact of adoption of IFRS 9 (2014) on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures, as follows:

(a) Classification and measurement

The Directors expect to continue recognising initially at fair value for all financial assets which are subsequently measured at amortised costs. The Directors anticipate that the adoption of IFRS 9 (2014) will not have a material impact on the classification and measurement of the financial assets.

(b) Impairment

The Directors expect to apply the simplified approach and record lifetime expected credit losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade receivables, other receivables and deposits. The application of the expected credit loss model may result in earlier recognition of credit losses for trade receivables, other receivables and deposits and increase the amount of impairment allowance recognised for these items.

The Directors will perform a more detailed analysis which considers all reasonable and supportable information for the estimation of the effect of adoption of IFRS 9 (2014). Based on the preliminary assessment, the Directors expect that the adoption of IFRS 9 (2014) will not have other material impact on amounts reported in the Group's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, IFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

(i) Identify the contract with the customer;

(ii) Identify the performance obligations in the contract;

(iii) Determine the transaction price;

(iv) Allocate the transaction price to the performance obligations; and

(v) Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

IFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The major sources of revenue of the Group are sales of goods. Under IFRS 15, revenue is recognised for each of the performance obligations when control over a good is transferred to a customer. The Directors have preliminarily assessed each type of the performance obligations and consider that the performance obligations are similar to the current identification of separate revenue components under IAS 18 Revenue. Furthermore, IFRS 15 requires the transaction price to be allocated to each performance obligation on a relative stand-alone selling price basis, which may affect the timing and amounts of revenue recognition, and results in more disclosures in the consolidated financial statements. However, the Directors expect that the adoption of IFRS 15 will not have a material impact on the timing and amounts of revenue recognised based on the existing business model of the Group as at 30 June 2018.

IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of IAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 will supersede the current lease standards including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

As at 30 June 2018, the Group has non-cancellable operating lease commitments of approximately RMB1,265,000 in relation to its rented office properties. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these lease unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. The Directors are in the process to determine the amounts of right-of-use assets and lease liabilities to be recognised in the consolidated statement of financial position, after taking into account all practical expedients and recognition exemption under IFRS 16. The Directors expect that the adoption of IFRS 16 will not have material impact on the Group's result but certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

4. PRINCIPAL ACCOUNTING POLICIES

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 Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for biological assets and derivative financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods. The accounting policies and methods of computation used in the consolidated financial statements for the year ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2017.

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the revenue arising on the sales of fresh oranges, FCOJ and other related products and Summi fresh orange juice.

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.

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

1. Plantation and sale of agricultural produce

2. Production and sale of FCOJ and other related products

3. Production and sale of Summi fresh orange juice

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

	Plantation and sale of agricultural produce *RMB'000*	Production and sale of FCOJ and other related products *RMB'000*	Production and sale of Summi fresh orange juice *RMB'000*	Total *RMB'000*
Year ended 30 June 2018				
Segment revenue				
Sales to external customers	**114,008**	**361,461**	**186,252**	**661,721**
Intersegment sales	**142,593**	**6,858**	**–**	**149,451**
Segment revenue	**256,601**	**368,319**	**186,252**	**811,172**
Elimination				**(149,451)**
Consolidated revenue				**661,721**
Segment results	**47,785**	**94,509**	**(52,347)**	**89,947**
Unallocated gains				**3,959**
Net realised and unrealised loss on derivative financial instruments				**(10,168)**
Corporate and other unallocated expenses				**(22,269)**
Finance costs				**(50,759)**
Profit before tax				**10,710**
As at 30 June 2018				
Assets and liabilities				
Segment assets	**1,256,600**	**376,152**	**351,781**	**1,984,533**
Corporate and other unallocated assets				**738,276**
Total assets				**2,722,809**
Segment liabilities	**481**	**23,133**	**10,226**	**33,840**
Corporate and other unallocated liabilities				**944,778**
Total liabilities				**978,618**

	Plantation and sale of agricultural produce *RMB'000*	Production and sale of FCOJ and other related products *RMB'000*	Production and sale of Summi fresh orange juice *RMB'000*	Total *RMB'000*
Year ended 30 June 2017				
Segment revenue				
Sales to external customers	123,762	345,460	135,064	604,286
Intersegment sales	106,779	4,926	–	111,705
Segment revenue	230,541	350,386	135,064	715,991
Elimination				(111,705)
Consolidated revenue				604,286
Segment results	59,276	105,198	(28,756)	135,718
Unallocated gains				2,981
Net realised and unrealised gain on derivative financial instruments				12,652
Corporate and other unallocated expenses				(42,038)
Finance costs				(42,268)
Profit before tax				67,045
As at 30 June 2017				
Assets and liabilities				
Segment assets	1,187,750	343,261	314,485	1,845,496
Corporate and other unallocated assets				893,919
Total assets				2,739,415
Segment liabilities	14,617	19,253	6,863	40,733
Corporate and other unallocated liabilities				963,483
Total liabilities				1,004,216

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

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

(a) all assets are allocated to operating segments other than held-to-maturity investment, derivative financial instruments, pledged bank deposits, cash and cash equivalents, certain property, plant and equipment and other receivables which were managed in a centralised manner.

(b) all liabilities are allocated to operating segments other than corporate bonds, bank loans, 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.

Other segment information

Year ended 30 June 2018	**Plantation and sale of agricultural produce** *RMB'000*	**Production and sale of FCOJ and other related products** *RMB'000*	**Production and sale of Summi fresh orange juice** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Depreciation and amortisation *(note 1)*	—	**26,768**	**24,697**	**142**	**51,607**
Additions to non-current assets *(note 2)*	—	**28,434**	**45,837**	**395**	**74,666**
Write-off of inventories	**4,111**	—	—	—	**4,111**
Gain on disposal of property, plant and equipment	—	**(32)**	—	—	**(32)**
Gain from changes in fair value of biological assets less costs to sell	**(59,004)**	—	—	—	**(59,004)**
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Bank interest income	—	—	—	**(1,325)**	**(1,325)**
Interest income from pledged bank deposits	—	—	—	**(1,571)**	**(1,571)**
Interest income from held-to-maturity investment	—	—	—	**(997)**	**(997)**
Net realised and unrealised loss on derivative financial instruments	—	—	—	**10,168**	**10,168**
Finance costs	—	—	—	**50,759**	**50,759**
Income tax credit	—	—	—	**(852)**	**(852)**

Year ended 30 June 2017	Plantation and sale of agricultural produce *RMB'000*	Production and sale of FCOJ and other related products *RMB'000*	Production and sale of Summi fresh orange juice *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Depreciation and amortisation *(note 1)*	—	27,923	17,357	200	45,480
Additions to non-current assets *(note 2)*	—	9,934	853	32	10,819
Write-off of property, plant and equipment	—	2	—	—	2
Write-off of inventories	2,712	—	—	—	2,712
Gain from changes in fair value of biological assets less costs to sell	(67,908)	—	—	—	(67,908)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Bank interest income	—	—	—	(1,705)	(1,705)
Interest income from pledged bank deposits	—	—	—	(206)	(206)
Interest income from held-to-maturity investment	—	—	—	(1,052)	(1,052)
Net realised and unrealised gain on derivative financial instruments	—	—	—	(12,652)	(12,652)
Finance costs	—	—	—	42,268	42,268
Income tax credit	—	—	—	(438)	(438)

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

Note 2: Amount included property, plant and equipment, deposit paid for acquisition of property, plant and equipment, intangible assets and land use rights and excluded additions to lease prepayments for orange plantations, pledged bank deposits, derivative financial instruments and held-to-maturity investment.

Geographical information

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

Revenue from major products

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

	2018	2017
	RMB'000	*RMB'000*
Sales of FCOJ and related products	**361,461**	345,460
Sales of Summi fresh orange juice	**186,252**	135,064
Sales of fresh oranges	**114,008**	123,762
	661,721	604,286

Information about major customers

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

	2018	2017
	RMB'000	*RMB'000*
Customer A[1]	**119,144**	106,865
Customer B[2]	**114,008**	123,762
Customer C[1]	**109,205**	92,241
Customer D[1, 3]	**N/A[4]**	61,213

1 Revenue from production and sale of FCOJ and other related products segment.

2 Revenue from plantation and sale of agricultural produce segment.

3 Revenue from production and sale of Summi fresh orange juice segment.

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

6. OTHER REVENUE

	2018 *RMB'000*	2017 *RMB'000* (Restated)
Bank interest income	**1,325**	1,705
Gain on disposal of property, plant and equipment	**32**	—
Government grants *(notes a and b)*	**2,360**	3,530
Interest income from pledged bank deposits	**1,571**	206
Interest income from held-to-maturity investment	**997**	1,052
Others	**66**	18
	6,351	6,511

Notes:

(a) Government grant of RMB2,360,000 (2017: RMB2,360,000) was deferred income amortised during the year, which was granted in respect of supporting the Group's investment in a FCOJ production plant.

(b) During the year ended 30 June 2017, government grant of approximately RMB1,170,000 (2018: nil) was granted in respect of FCOJ production, which was immediately recognised as other revenue for the year as there was no unfulfilled condition or contingencies relating to this subsidy.

7. OTHER OPERATING EXPENSES

	2018 *RMB'000*	2017 *RMB'000*
Equity-settled share-based payment expenses	**3,480**	8,924
Write-off of property, plant and equipment	**—**	2
Loss on disposal of scrap materials	**3,048**	—
Others	**224**	29
	6,752	8,955

8. FINANCE COSTS

	2018 *RMB'000*	2017 *RMB'000*
Interest expenses on corporate bonds	**1,656**	789
Interest expenses on bank loans	**43,331**	36,804
Imputed interest expenses	**5,772**	4,675
	50,759	42,268

9. PROFIT BEFORE TAX

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

	2018	2017
	RMB'000	*RMB'000*
Staff costs, including Directors' and chief executive's remuneration		
Wages, salaries and other benefits	**99,221**	89,875
Contributions to defined contribution plans	**10,012**	9,247
Equity-settled share-based payment expenses	**3,480**	8,924
	112,713	108,046
Amortisation of land use rights	**555**	555
Amortisation of intangible assets	**5,029**	4,501
Depreciation of property, plant and equipment	**46,023**	40,424
Operating lease charges in respect of rented premises	**130,537**	81,243
Less: operating lease capitalised in biological assets	**(47,223)**	(41,702)
	83,314	39,541
Auditor's remuneration	**1,194**	1,236
Net foreign exchange loss	**3,202**	14,279
Amount of inventories recognised as an expense	**433,813**	389,195
Write-off of inventories recognised in cost of sales	**4,111**	2,712

10. INCOME TAX CREDIT

	2018	2017
	RMB'000	*RMB'000*
Current tax − PRC Enterprise Income Tax ("EIT")		
Provision for the year	**274**	688
Deferred tax		
Reversal of temporary differences	**(1,126)**	(1,126)
Income tax credit	**(852)**	(438)

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

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for both years. 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 2018 and 2017.

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

11. DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
Dividends recognised as distribution and paid during the year:		
2017 Final – HK1.5 cents (2017: 2016 final dividend – HK1.5 cents) per share	**17,126**	17,616

The Directors do not recommend the payment of any dividend for the year ended 30 June 2018. A final dividend of HK1.5 cents per share in respect of the year ended 30 June 2017 was proposed by the Directors after the year ended 30 June 2017 and was paid in December 2017.

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

Earnings

	2018	2017
	RMB'000	*RMB'000*
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**11,562**	67,483

Number of shares

	2018	2017
Weighted average number of ordinary shares in issue less shares held under the share award scheme for the purpose of basic earnings per share	**1,328,448,727**	1,328,523,434
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**—**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,328,448,727**	1,328,523,434

The diluted earnings per share for the years ended 30 June 2018 and 2017 is the same as basic earnings per share. The computation of diluted earnings per share for the years ended 30 June 2018 and 2017 does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares.

13. TRADE RECEIVABLES

The Group allowed a credit period ranging from 30 to 90 days (2017: 30 to 90 days) to its trade customers from the date of billing.

The following is an aged analysis of trade receivables presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period.

	2018	2017
	RMB'000	*RMB'000*
0 to 30 days	**60,401**	38,611
31 to 60 days	**56,086**	38,452
61 to 90 days	**51,739**	44,494
Over 90 days	**279**	1,784
	168,505	123,341

The aged analysis of trade receivables based on the due dates at the end of the reporting period is set out below:

	2018	2017
	RMB'000	*RMB'000*
Neither past due nor impaired	**168,505**	123,341

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

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

14. TRADE PAYABLES

The Group had financial risk management policies in place to ensure all payables are settled within the credit timeframe. The average credit period on purchase of goods is 90 days (2017: 90 days).

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

	2018	2017
	RMB'000	*RMB'000*
0–90 days	**5,727**	16,130

15. SHARE CAPITAL

	Number of shares	**Amount**	**Amount**
		HK$'000	*RMB'000*
Ordinary shares of HK$0.01 each			
Authorised:			
As at 1 July 2016, 30 June 2017, and 30 June 2018	3,000,000,000	30,000	26,376
Issued and fully paid:			
As at 1 July 2016, 30 June 2017, and 30 June 2018	1,347,860,727	13,479	11,610

16. COMPARATIVE FIGURE

Comparative figure of unrealised gain on derivative financial instruments has been reclassified from other revenue to a separate line item in the consolidated statement of profit or loss and other comprehensive income to conform to current year's presentation.

As the reclassification has no financial effect on the amounts stated in the consolidated statement of financial position, it is not necessary to present the third consolidated statement of financial position as at 1 July 2016.

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.

CORPORATE GOVERNANCE PRACTICES

The Group's corporate governance practices are based on the Corporate Governance Code (the "Code") – Appendix 14 to the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). The Company has, throughout the Reporting Period, complied with all the relevant code provisions and, where applicable, the recommended best practices as set out in the Code of the Listing Rules, save for the deviation mentioned below:

Code Provision A.2.1

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

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

The Board will periodically review the Company's current corporate practices and procedures and will maintain and further enhance the standard of corporate governance practices of the Company, in order to ensure it is in line with international and local best practices and optimise the interests of the Shareholders, investors, employees, business partners and the community as a whole.

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 as set out 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 complied with the Model Code and such code of conduct during the Reporting Period.

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.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of this announcement and the final result of the Group for the year ended 30 June 2018.

SCOPE OF WORK OF SHINEWING (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 June 2018 as set out in this announcement have been agreed by the Group's auditors, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on this announcement.

CLOSURE OF REGISTER OF MEMBERS

For determining the Shareholders' eligibility to attend and vote at the forthcoming annual general meeting to be held on 14 November 2018 (Wednesday) (the "AGM"), the register of members of the Company will be closed from 8 November 2018 (Thursday) to 14 November 2018 (Wednesday), both days inclusive, during which period no transfer of Shares will be registered. The record date will be 14 November 2018 (Wednesday). 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 7 November 2018 (Wednesday).

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

Hong Kong, 27 September 2018

As at the date of this announcement, the Board comprises: Mr. SIN Ke and Mr. SAN Kwan as executive Directors; Mr. TSANG Sze Wai Claudius as non-executive Director; and Mr. ZENG Jianzhong, Mr. ZHUANG Weidong and Mr. ZHUANG Xueyuan as independent non-executive Directors.