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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)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS			
	Six months ended		
	31 December		Change %
	2021	2020	(Approximate)
	RMB'000	RMB'000	
Statement of profit or loss and other comprehensive income			
Revenue	19,635	58,798	(66.6%)
Gross profit	2,096	11,992	(82.5%)
Gross profit margin	10.7%	20.40%	(9.7 pp)
Loss for the period	(32,731)	(21,965)	(49.0%)
EBITDA	(6,664)	(4,713)	(41.4%)
Basic and diluted (loss)/earnings per share (RMB cents)	<u>(1.4)</u>	<u>(1.6)</u>	<u>0.2</u>
	As at	As at	
	31 December	30 June	Change %
	2021	2021	(Approximate)
	RMB'000	RMB'000	
Statement of financial position			
Cash and cash equivalents	7,235	3,770	91.9%
Inventories	22,160	5,659	291.6%
Trade and other receivables	50,138	22,138	126.5%
Borrowings	296,207	259,458	14.2%
Net liabilities	<u>266,294</u>	<u>236,743</u>	<u>12.5%</u>

The board (the “Board”) of directors (the “Directors”) of Summi (Group) Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 December 2021 (the “Reporting Period”). The unaudited condensed consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (the “IASB”), and have been reviewed by the audit committee of the Company.

BUSINESS REVIEW AND PROSPECT

The Group’s operations during the Reporting Period has been disturbed by the COVID-19 in Hong Kong and Malaysia. Total sales of the Group decreased from approximately RMB58,798,000 over the same period in last year to approximately RMB19,635,000 during the Reporting Period, representing a decrease of approximately 66.6%. The decrease in sales attributable to the breakout of the COVID-19 in Hong Kong and Malaysia. On the other hand, the Group recorded EBITDA of approximately RMB6,664,000, as compared to a loss on EBITDA of approximately RMB4,713,000 over the same period in last year. The management of the Group anticipates that more resources will be put in promoting the Summi brand and leverage its brand recognition both in China and Hong Kong as well as South East Asia to enhance the Group’s future profitability.

The management of the Company used its best endeavours to maintain the sustainability of the Company. On 31 December 2021, the Group has successfully obtained a financing from an independent third party (the “Purchaser”), who agreed to purchase a loan payable to a bank, of which the principal amount was approximately RMB15,309,000 and the Purchaser agreed to restructure as a 5 year-term loan. As a result, the Group has solved all loan disputes. The agreement has been duly executed and this resulted in the substantial improvement of the Company’s financial position as at 31 December 2021. As at 31 December 2021, the Group recorded net current liabilities of approximately RMB82,866,000, which were significantly improved as compared with that of 30 June 2021 amounting to approximately RMB263,134,000. As at 31 December 2021, the Group also achieves a net assets position before deducting non-current liabilities of approximately RMB45,870,000, which was significantly improved as compared with that of 30 June 2021 of net liabilities position before deducting non-current liabilities of approximately RMB117,417,000.

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

OPERATING PERFORMANCE

Summi Products

During the Reporting Period, the Group has been continuously improving its sales network and developing new products in relation to Summi Products to leverage the advantages of “Summi” brand. In December 2020, the Group launched a new series of beverage products and marketing campaign has been planned for Hong Kong and China. The sales of the Group was impacted by COVID19 epidemic which sales revenue of Summi Products decreased by 68.8% from approximately RMB53,505,000 over the same period last year to approximately RMB16,709,000.

FCOJ and related products

Sales of FCOJ and related products decreased from approximately RMB5,293,000 over the same period last year to approximately RMB2,926,000 in the Reporting Period. During the Reporting Period, international frozen orange juice futures prices have remained stable, same prices as compared with the previous year were recorded for the sale prices of FCOJ. The decrease in sales of FCOJ and related products was attributable to the sluggish global economic conditions during the COVID19 pandemic, which had a significant impact on the markets and the price competition from overseas suppliers had been intensified.

Gross Profit

During the Reporting Period, the Group’s gross profit was approximately RMB2,096,000, an approximate decrease of 82.5% compared to approximately RMB11,992,000 over the same period last year. The Group’s gross profit margin decreased to approximately 10.7% (2020: approximately 20.4%).

Distribution costs and administrative expenses

The Group’s distribution costs mainly included marketing expenses and transportation costs. Distribution costs decreased by approximately 49.5% from approximately RMB9,142,000 over the same period last year to approximately RMB4,618,000 during the Reporting Period.

The Group’s administrative expenses mainly included general office administrative expenses, salaries, amortisation, etc. Administrative expenses decreased from approximately RMB25,056,000 over the last year to approximately RMB19,763,000 during the Reporting Period.

Finance costs

During the Reporting Period, the Group's finance costs were approximately RMB12,586,000 (2020: RMB4,270,000).

Net loss

During the Reporting Period, the Group's net loss was approximately RMB32,731,000 (2020: RMB21,965,000).

Interim dividend

The Board has resolved not to announce any interim dividend for the six months ended 31 December 2021 (2020: nil).

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL STRUCTURE

Liquidity

As at 31 December 2021, current assets amounted to approximately RMB79,533,000 (30 June 2021: approximately RMB31,567,000); current liabilities amounted to approximately RMB162,399,000 (30 June 2021: approximately RMB294,701,000).

Financial Resources

As at 31 December 2021, the Group had cash and cash equivalents and pledged bank deposits of approximately RMB7,235,000 (30 June 2021: approximately RMB3,770,000) respectively, as well as total borrowings of approximately RMB296,207,000 (30 June 2021: approximately RMB259,458,000).

As at 31 December 2021, the Group's trade receivables amounted to approximately RMB50,138,000 (30 June 2021: approximately RMB22,138,000), and inventory amounted to approximately RMB22,160,000 (30 June 2021: approximately RMB5,659,000).

Gearing

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

Capital Structure

As at 31 December 2021, the total number of issued shares of the Company (the "Shares") was 2,282,082,652 Shares. Based on the closing price of HK\$0.09 per Share as at 31 December 2021, the Company's market capitalisation was HK\$205,387,438.68.

FOREIGN EXCHANGE EXPOSURE

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

PLEDGE OF ASSETS

As at 31 December 2021 and 30 June 2021, the Group had pledged the following assets to the lenders to secure the credit facilities granted to the Group:

	31 December 2021 RMB'000 (Unaudited)	30 June 2021 RMB'000 (Audited)
Property, plant and equipment	47,028	50,108
Right-of-use assets	6,546	6,943
	<u>53,574</u>	<u>57,051</u>

CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no material contingent liabilities (30 June 2021: nil).

CAPITAL EXPENDITURE

During the Reporting Period, the Group’s capital expenditure amounted to approximately RMB350,000 (six months ended 31 December 2020: RMB4,270,000) which was used for acquisition of property, plant and equipment.

PLANTS

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

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

INTEGRATED OPERATION MODEL

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

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2021, the Group had 105 employees (2020: 118 employees). The Group offers excellent remuneration, discretionary bonuses and social insurance benefits to its employees. In addition, a share option scheme (the “Scheme”) has been adopted on 7 June 2008 for the employees of the Group. The limit in respect of Shares that may be issued pursuant to the exercise of all share options granted under the Scheme has been refreshed on 5 November 2012.

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

The unaudited financial information for the six months ended 31 December 2021 together with the comparative figures for the corresponding periods in 2020 were as follows:

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

For the six months ended 31 December 2021

		Six months ended	
		31 December	
		2021	2020
	Notes	RMB'000	RMB'000
		(unaudited)	(unaudited)
CONTINUING OPERATIONS			
Revenue	3	19,635	58,798
Cost of sales		<u>(17,539)</u>	<u>(46,806)</u>
Gross profit		2,096	11,992
Gains on a loan settlement agreement		3,036	—
Other income	4	2,604	4,511
Impairment on property, plant and equipment		(3,500)	—
Selling and distribution costs		(4,618)	(9,142)
Administrative expenses		<u>(19,763)</u>	<u>(25,056)</u>
Loss from operations		(20,145)	(17,695)
Finance costs	5	<u>(12,586)</u>	<u>(4,270)</u>
Loss before tax		(32,731)	(21,965)
Income tax expense	7	<u>—</u>	<u>(1)</u>
Loss for the period	6	<u>(32,731)</u>	<u>(21,966)</u>

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

		As at 31 December 2021 <i>RMB'000</i> <i>(Unaudited)</i>	As at 30 June 2021 <i>RMB'000</i> <i>(Audited)</i>
NON-CURRENT ASSETS			
Property, plant and equipment		107,894	124,347
Right-of-use assets		20,842	21,370
		<u>128,736</u>	<u>145,717</u>
CURRENT ASSETS			
Inventories		22,160	5,659
Trade and other receivables	10	50,138	22,138
Cash and cash equivalents		7,235	3,770
		<u>79,533</u>	<u>31,567</u>
CURRENT LIABILITIES			
Trade and other payables	11	116,320	52,802
Borrowings		45,950	202,167
Corporate bonds		—	39,569
Lease liabilities		129	163
		<u>162,399</u>	<u>294,701</u>
NET CURRENT LIABILITIES		<u>(82,866)</u>	<u>(263,134)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>45,870</u>	<u>(117,417)</u>

	As at 31 December 2021 <i>RMB'000</i> <i>(Unaudited)</i>	As at 30 June 2021 <i>RMB'000</i> <i>(Audited)</i>
NON-CURRENT LIABILITIES		
Borrowings	250,257	57,291
Corporate bonds	60,128	60,128
Lease liabilities	529	657
Deferred tax liabilities	1,250	1,250
	<u>312,164</u>	<u>119,326</u>
NET LIABILITIES	<u><u>(266,294)</u></u>	<u><u>(236,743)</u></u>
CAPITAL AND RESERVES		
Share capital	19,341	19,341
Reserves	<u>(285,635)</u>	<u>(255,926)</u>
Deficiency of shareholders' equity	<u><u>(266,294)</u></u>	<u><u>(236,743)</u></u>

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements (the “Interim Financial Statements”) have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (the “IASB”) and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”). The Interim Financial Statements do not include all the information and disclosure required in the annual consolidated financial statements of the Company and its subsidiaries (the “Group”), and should be read in conjunction with the annual consolidated financial statements for the year ended 30 June 2021, which have been prepared in accordance with International Financial Reporting Standards (the “IFRSs”) issued by the IASB.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2021, except for the adoption of the new and revised IFRS. In the current period, the Group has adopted a number of new and revised IFRSs, amendments to IAS and Interpretations (“Ints”) (hereinafter collectively referred to as “new and revised IFRSs”) issued by the IASB that are relevant to the Group and effective for accounting periods beginning on or after 1 July 2021. The adoption of these new and revised IFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current and prior periods. The Group has not early adopted the new and revised IFRSs that have been issued but are not yet effective. The Group is in the process of assessing their impact on the Group’s results and financial position.

The preparation of the Interim Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The Interim Financial Statements should be read in conjunction with the Group’s audited consolidated financial statements and notes thereto for the year ended 30 June 2021.

3. REVENUE AND SEGMENT INFORMATION

The Group determines its operating segments based on the information reported to the chief operating decision maker, being the senior executive management of the Group, for making strategic decisions and assessing the performance of each operating segment. The segments are managed separately as each operating segment offers different products which require different production information to formulate different strategies. No operating segment identified by the chief operating decision maker has been aggregated in arriving at the reportable segments of the Group.

During the six months ended 31 December 2021, the Group’s reportable and continuing operating segments are as follows:

- Production and sale of FCOJ and other related products; and
- Production and sale of Summi Products

Segment revenues, results, assets and liabilities

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

For the six months ended 31 December 2021 (unaudited)

	Production and sale of FCOJ and other related products business <i>RMB'000</i>	Production and sale of Summi Fresh Orange Juice and other products business <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue (continuing operations)			
— Sales to external customers	2,926	16,709	19,635
— Inter-segment sales	—	—	—
Segment revenue	<u>2,926</u>	<u>16,709</u>	19,635
Elimination			—
Group revenue			<u>19,635</u>
Segment results	<u>(9,460)</u>	<u>(1,253)</u>	(10,713)
Unallocated gains			3,036
Corporate and other unallocated expenses			(12,468)
Finance costs			<u>(12,586)</u>
Loss before tax			<u>(32,731)</u>

For the six months ended 31 December 2020 (unaudited)

	Production and sale of FCOJ and other related products business <i>RMB'000</i>	Production and sale of Summi Fresh Orange Juice and other products business <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue (continuing operations)			
— Sales to external customers	5,293	53,505	58,798
— Inter-segment sales	—	—	—
	<u>5,293</u>	<u>53,505</u>	<u>58,798</u>
Segment revenue	<u>5,293</u>	<u>53,505</u>	58,798
Elimination			<u>—</u>
Group revenue			<u>58,798</u>
Segment results	<u>(4,802)</u>	<u>(9,236)</u>	(14,038)
Unallocated gains			3,197
Corporate and other unallocated expenses			(6,854)
Finance costs			<u>(4,270)</u>
Loss before tax			<u>(21,965)</u>

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

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

4. OTHER INCOME

	For the six months ended	
	31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Bank interest income	36	105
Government grants (<i>note i</i>)	1,872	3,178
Others	696	1,228
	<u>2,604</u>	<u>4,511</u>

Note:

- (i) During the six months ended 31 December 2020, government grants of approximately RMB3,178,000 was immediately recognised as other income for the period as there was no unfulfilled condition or contingencies relating to this subsidies. During the six months ended 31 December 2021, all government grants received were on cash basis. The government grants were unconditional and recognised as other income immediately.

5. FINANCE COSTS

	For the six months ended	
	31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Interest on:		
— corporate bonds	1,328	1,564
— bank loans	11,247	2,699
— lease liabilities	11	7
	<u>12,586</u>	<u>4,270</u>

6. LOSS FOR THE PERIOD

For the six months ended	
31 December	
2021	2020
<i>RMB'000</i>	<i>RMB'000</i>
<i>(Unaudited)</i>	<i>(Unaudited)</i>

(Loss) profit for the period has been arrived at after charging (crediting):

Depreciation of property, plant and equipment	12,953	12,810
Depreciation of right-of-use assets	528	172
Amount of inventories recognised as an expense	17,539	46,806
Exchange difference, net	37	402
	<u> </u>	<u> </u>

7. INCOME TAX EXPENSE

For the six months ended	
31 December	
2021	2020
<i>RMB'000</i>	<i>RMB'000</i>
<i>(Unaudited)</i>	<i>(Unaudited)</i>

Current tax:		
PRC Enterprise Income Tax	—	—
Malaysia	—	1
Deferred tax	—	—
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	—	1

Notes:

- (a) Pursuant to rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (b) Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.
- (c) No Hong Kong Profits Tax has been provided as the Group did not have any assessable profits subject to Hong Kong Profits Tax for both periods.
- (d) Income tax for the Group’s Malaysian operations is calculated at the rate of 24% on the estimated assessable profit derived from Malaysia for the period.

8. DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 31 December 2021 (six months ended 31 December 2020: nil).

9. (LOSS) EARNINGS PER SHARE

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

Number of shares

	For the six months ended	
	31 December	
	2021	2020
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>2,282,082,652</u>	<u>1,386,572,654</u>

10. TRADE RECEIVABLES

The Group allowed a credit period ranging from 30 to 90 days (30 June 2021: 30 to 90 days) to its trade customers from the date of billing.

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

	31 December	30 June
	2021	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Neither past due nor impaired	<u>6,405</u>	<u>2,587</u>

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.

11. TRADE PAYABLES

The Group had financial risk management policies in place to ensure all payables are settled within the credit timeframe. The average credit period on purchase of goods was 90 days or on demand (30 June 2021: 90 days or on demand).

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

	31 December	30 June
	2021	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Due within 3 months or on demand	<u><u>7,128</u></u>	<u><u>2,149</u></u>

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

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

CORPORATE GOVERNANCE PRACTICES

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

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company's corporate governance practices have complied with the code provisions set out in the Code throughout the six months ended 31 December 2021.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

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

The Audit Committee had reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal controls and financial reporting matters including a review of the unaudited interim report and unaudited the interim results of the Group for the six months ended 31 December 2021.

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

This report will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (<https://hksummi.com>). The interim report for the six months ended 31 December 2021 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 25 February 2022

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